

To the Shareholders of Zimplow Holdings Limited

Report on the Review of the Interim condensed Inflation adjusted Consolidated and Separate Financial Statements

Introductions

We have reviewed the accompanying interim condensed inflation adjusted consolidated and separate financial statements of Zimplow Holdings Limited and its subsidiaries ("the Group"), as set out on pages 12 to 26, which comprise the interim condensed inflation adjusted consolidated and separate statement of financial position as at 30 June 2021 and the related interim condensed inflation adjusted consolidated and separate statement of profit or loss and other comprehensive income, the interim condensed inflation adjusted statement of changes in equity and the interim condensed inflation adjusted consolidated and separate statement of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this interim condensed consolidated and separate financial information in accordance with the Internal Financial Reporting Standards. Our responsibility is to express a review conclusion on this interim condensed inflation adjusted consolidated and separate financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for adverse review conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates, IFRS 13 - Fair Value Measurement on Valuation of Property and Manufacturing Plant and Equipment and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Impact of prior year modification on current period

As explained in note 2 to the interim condensed consolidated and separate inflation adjusted financial statements, the Group and Company changed their functional and reporting currency from United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

Our most recent year end audit report was modified due to the impact of an incorrect date of change in functional currency. We believed that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

Further contributing to the adverse opinion was the use of inappropriate exchange rates which did not meet IAS21 requirements for a spot rate from 22 February 2019 to 22 June 2020.

Lastly, the valuation of property and manufacturing plant and equipment and investment properties as at 31 December 2020 was not appropriate given the use of USD inputs to determine fair value and resultant translation to ZWL. This caused non-compliance with the requirements of IFRS 13 - *Fair Value Measurements*. We were not able to quantify the impact as the appropriate inputs could not be determined.

Management has not made retrospective adjustments in terms of *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors* to correct the above matters. Consequently, many corresponding amounts on the interim condensed consolidated and separate inflation adjusted financial statements are misstated, impacting comparability of the current period numbers.



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Independent Auditor's Review Conclusion - Continued

Zimplot Holdings Limited

Therefore, the matter continues to impact the following amounts on the interim condensed consolidated and separate inflation adjusted statement of financial position which still comprise of material amounts from opening balances: Property Plant and Equipment (Group: ZWL\$8 833 912 and Company: ZWL\$5 938 212); Inventory (Group: ZWL\$814 818 835 and Company: ZWL\$527 842 073); Revaluation Reserve (Group: ZWL\$511 635 307 and Company: ZWL\$185 347 810); Retained Earnings (Group: ZWL\$772 081 173 and Company: ZWL\$662 256 020); Non-Controlling Interest (Group: ZWL\$317 517 425); Deferred Tax Liability (Group: ZWL\$238 266 976 and Company: ZWL\$109 294 892); Investment Property (Group: ZWL\$22 082 000) and Investment in Subsidiaries (Company: ZWL\$288 245 540);

As opening balances enter into the determination of financial performance, our half year conclusion is modified in respect of the impact of these matters on cost of sales stated at (Group: ZWL\$932 567 552 and Company: ZWL\$470 899 505); income tax expense (Group: ZWL\$44 731 646 and Company: ZWL\$40 557 922) and Monetary Gains or Losses (Group: ZWL\$13 378 670 and Company: (ZWL\$12 200 623)) in the interim condensed consolidated and separate inflation adjusted Statement of Profit or Loss and other comprehensive income. Consequently, the interim condensed consolidated and separate inflation adjusted Statement of Changes in equity and interim condensed consolidated and separate inflation adjusted Statement of Cashflows are impacted.

Consequential impact on IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, Inventory (Group: ZWL\$1 194 736 200 and Company: ZWL\$811 270 999); Retained Earnings (Group: ZWL\$1 073 257 754 and Company: ZWL\$786 965 127); Non-Controlling Interest (Group: ZWL\$ 413 131 557); Investment Property (Group: ZWL\$26 650 373); Property, Plant and Equipment (Group: ZWL\$1 439 485 754 and Company: ZWL\$523 830 155); Revaluation Reserve (Group: ZWL\$617 483 550 and Company: ZWL\$223 692 975); Cost of Sales (Group: ZWL\$1 021 958 948 and Company: ZWL\$586 171 344); and Income Tax Expense (Group: ZWL\$44 731 646 and Company: ZWL\$40 557 922) would have been materially different. Consequently, the monetary gains or losses of Group: ZWL\$13 378 670 and Company: (ZWL\$12 200 623) on the interim condensed consolidated and separate inflation adjusted Statement of profit or loss and other comprehensive income are impacted.

The effects of the above departures from IFRS are material and pervasive to the interim condensed consolidated and separate financial information.

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the interim condensed consolidated and separate inflation-adjusted financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the review audit resulting in this review conclusion report on the interim condensed inflation adjusted consolidated and separate financial information is Mr Walter Mupanguri (PAAB Practicing Certificate Number 367).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

23 September 2021