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Abridged Audited Financial Results

for the year ended 30 September 2021

ART
AMALGAMATED REGIONAL TRADING

PERFORMANCE HIGHLIGHTS

Revenue	Increased by 27%
Gross profit%	Decreased by 13%
Operating profit	Decreased by 53%

VOLUMES	
Overall	Increased by 30%
Export	Increased by 12%
Batteries	Increased by 39%
Paper	Increased by 2%
Timber	Decreased by 2%

CHAIRMAN'S STATEMENT

It is a great pleasure to present the financial and operational performance of Art Holdings Limited (ART) for the year ended 30 September 2021.

OVERVIEW

The COVID-19 pandemic continued to disrupt businesses across the globe and materially impacted the Group's performance during the reporting period. The improvements in Zimbabwe's economic environment at the beginning of the year characterised by stable exchange rates and slowing inflation were negated by the impact of policy interventions taken to regulate foreign currency transactions through Statutory Instrument 127 of 2021. The delays in the disbursement of foreign currency allocated on the auction market affected market confidence resulting in the widening of the gap between the auction market exchange rate and the alternative market. There was an upturn in inflation in the second half of the year. In Zambia, the Kwacha appreciated, and inflation slowed down after the general elections. The Directors would like to advise users to continue to exercise caution in their use of the Group Abridged Financial Results due to the distortions brought about by the continued existence of multiple exchange rates.

FINANCIAL PERFORMANCE

The Group's financial performance was impacted by COVID-19 induced restrictions and the economic after effects. The batteries segment remained resilient and helped to offset the under whelming performance of the paper divisions.

Sales volumes recovered across all the divisions with an overall increase of 30% compared to the prior year. Revenue increased by 27% in inflation adjusted terms as demand recovered. The sharp inflation-induced input costs increases could not be aligned to pricing, resulting in a significant decrease of gross margins to 39% from 52% in the prior year.

Operating expenses increased by 66% due to general inflationary increases in costs and the initiatives taken to stimulate demand and cushion employees. Significant fair value losses on biological assets and investment properties amounting to ZWL$191m and ZWL54m respectively were recorded.

The Group took significant strides in the restructuring of the Paper business with the acquisition of Nampak's 50% shareholding in Softex and the purchase of a Toscotec Tissue Machine from Twinsaver (South Africa) Group during the year. These investments are a result of the difficult trade off decisions taken to mitigate the long term consequences of delaying critical capital expenditure and mark a pivotal moment in ART's Paper business restoration initiatives. The installation of the Tissue machine in Kadoma is progressing well and is expected to be completed in the second half of the financial year. The Group's financiers supported and enabled these key strategic projects which will enhance competitiveness and create holistic value across the paper chain.

DIVISIONAL PERFORMANCES

Batteries
The strategic investments to increase capacity and expand the distribution network in the batteries business were vindicated as the automotive battery demand remained strong. The performance was ahead of recovery expectations, as volumes increased by 39% despite supply chain disruptions. Export volumes were driven by the recovery in Zambia. Capital expenditure was limited to essential spend as the efforts to preserve liquidity continued.

Paper
Sales volumes for Kadoma Paper Mills and National Waste Collections increased by 27% and 13% respectively albeit from a low base. Softex volumes reduced by 9%.

The performance of the Paper divisions was affected by the intermittent supply of raw materials and spares. The resultant commercial downtime adversely impacted fixed cost absorption, operating efficiencies and profitability.

Eversharp
Eversharp volumes increased by 35% as restrictions were eased and school calendar disruptions reduced. The momentum of the division in the second half of the year has been remarkable despite the increased presence of competing imported products. Productivity and quality was not significantly affected by the delays in obtaining spares and raw material during the period.

Mutare Estates
The Mutare business remained unaffected by the pandemic and capitalised on the firm timber market demand. Saw milling capacity was increased during the year and has enabled the division to increase its milling partnerships.

SUSTAINABILITY REPORTING

ART Holdings is conscious of its role in managing economic, environmental, social and governance to deliver positive impacts while creating enterprise value. We continue to strengthen how we manage our sustainability impacts by setting goals, targets, and policies across the whole group. During the period, managing the negative impacts of the COVID-19 pandemic and climate change proved critical. ART Holdings remains committed to shared values with stakeholders in creating sustainable value and long-term success for the business.

DIVIDEND

The Company is not in a position to declare a dividend.

DIRECTORATE

There were no changes to the Board during the period.

OUTLOOK

The underlying demand for our core products remains robust and our focus on the changing consumer preferences and emerging technologies will be key in sustaining the Group's strong performance in the market.

The successful completion and settlement of Nampak's shareholding in Softex as well as the completion of key factory upgrades in Chloride will create much needed liquidity headroom to enable the Group to complete the capitalisation of the Paper business.

The Group will continue to ensure employee safety and maintain the proactive adjustments made to business priorities to support customers during the pandemic.

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern assumption in the preparation of the financial statements.

APPRECIATION

We are eternally grateful for the support and willingness of our employees, community, suppliers, customers, funders, and shareholders to collectively seek solutions during this difficult COVID-19 pandemic. The impact could have been more severe on the Group without the collective effort.

I would like to express my sincere gratitude to all stakeholders, my fellow directors, management, and the entire team at ART for the continued support and contribution during the reporting period.

T U Wushe
CHAIRMAN
9 December 2021

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	HYPER-INFLATED		HISTORICAL	
For the year ended September	**2021 ZWL$ 000**	**2020 ZWL$ 000**	**2021 ZWL$ 000**	**2020 ZWL$ 000**
Revenue from contracts with customers	4 999 163	3 944 488	3 885 531	1 159 814
Cost of sales	(3 068 710)	(1 894 563)	(2 226 044)	(447 807)
Gross profit	**1 930 453**	**2 049 925**	**1 659 487**	**712 007**
Other income	29 324	23 048	23 310	6 506
Selling and distribution expenses	(394 587)	(128 607)	(295 707)	(44 376)
Administration expenses	(975 285)	(690 779)	(889 721)	(317 399)
Total operating expenses	**(1 369 872)**	**(819 386)**	**(1 185 428)**	**(361 775)**
Operating profit before fair value adjustments & impairments	**589 905**	**1 253 587**	**497 369**	**356 738**
Share of joint venture & associate profit	8 719	125 085	7 420	19 927
Fair value adjustments on investment property	(54 717)	(262 786)	170 891	367 804
Fair value adjustments on biological assets	(190 860)	(330 571)	40 335	352 277
Foreign exchange gain/(loss)	8 485	(141 829)	21 297	(37 509)
Loss on disposal of non-current assets	(5 179)	(4 550)	(3 040)	(290)
Fire loss	(41)	(173)	(27)	(16)
Net monetary loss	(142 054)	(674 850)	-	-
Revaluation deficit on property plant and equipment	(105 856)	-	-	-
Fair value (loss)/gain on joint venture re-measurement on business combination	(134 685)	-	57 692	-
Operating Profit before interest and tax	**(26 283)**	**(36 087)**	**791 937**	**1 058 931**
Finance income	752	98	684	32
Finance costs	(86 903)	(55 131)	(74 412)	(28 834)
(Loss)/Profit before tax	**(112 434)**	**(91 120)**	**718 209**	**1 030 129**
Income tax credit/(expense)	(584 066)	912 536	55 211	(347 708)
(Loss)/profit after tax	**(696 500)**	**821 416**	**773 420**	**682 421**
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Surplus/(deficit) on revaluation of property plant and equipment (net of tax)	23 440	(1 211 636)	439 918	724 832
Items that may be reclassified subsequently to profit/loss:				
Translation of foreign subsidiary	13 042	22 114	13 042	14 587
Total other comprehensive income/(loss) for the year net of tax	**36 482**	**(1 189 522)**	**452 960**	**739 419**
Total comprehensive (loss)/income for the year	**(660 018)**	**(368 106)**	**1 226 380**	**1 421 840**
Basic Earnings per Share	(139.7)	173.7	163.6	144.34
Diluted Earnings per share	(139.7)	173.7	163.6	144.34
Headline Earnings per Share	3.6	67.9	119.5	(7.9)

GROUP STATEMENT OF FINANCIAL POSITION

	HYPER-INFLATED		HISTORICAL	
As at September	**2021 ZWL$ 000**	**2020 ZWL$ 000**	**2021 ZWL$ 000**	**2020 ZWL$ 000**
ASSETS				
Non-current assets				
Property plant and equipment	2 233 133	1 954 480	2 186 356	1 256 216
Investment property	627 303	682 020	627 303	449 861
Goodwill	85 174	-	89 394	-
Biological assets	491 880	686 264	491 880	452 681
Right of use assets	70 678	129 719	29 575	47 320
Investment in joint venture and associate	51 445	280 152	9 444	24 702
	3 559 613	**3 732 635**	**3 433 952**	**2 230 780**
Current assets				
Inventories	966 332	674 894	913 423	384 175
Trade and other receivables	410 808	447 676	408 215	258 202
Cash and cash equivalents	53 549	79 713	53 549	52 581
	1 430 689	**1 202 283**	**1 375 187**	**694 958**
TOTAL ASSETS	**4 990 302**	**4 934 918**	**4 809 139**	**2 925 738**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	2 453	2 453	47	47
Share premium	228 484	228 484	4 378	4 378
Retained earnings	2 085 969	2 744 592	1 478 161	704 741
Non-distributable reserves	740 382	705 777	1 425 413	972 453
	3 057 288	**3 681 306**	**2 907 999**	**1 681 619**
Non-current liabilities				
Interest-bearing loans and borrowings	21 178	13 783	21 178	9 092
Lease liability	-	57 024	-	37 615
Deferred tax liabilities	610 131	164 591	573 896	607 497
	631 309	**235 398**	**595 074**	**654 204**
Current liabilities				
Trade and other payables	709 705	480 184	775 352	307 355
Provisions	63 902	94 543	11 867	29 924
Income tax payable	193 654	260 534	200 377	131 954
Lease liability	47 528	47 940	31 554	31 623
Interest-bearing loans and borrowings	274 803	75 307	274 803	49 675
Bank overdrafts	12 113	59 706	12 113	39 384
	1 301 705	**1 018 214**	**1 306 066**	**589 915**
Total liabilities	**1 933 014**	**1 253 612**	**1 901 140**	**1 244 119**
TOTAL EQUITY AND LIABILITIES	**4 990 302**	**4 934 918**	**4 809 139**	**2 925 738**

Abridged Audited Financial Results

for the year ended 30 September 2021

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2021

	Share Capital	Share Premium	Revaluation	Share Option	Foreign Currency Translation	Retained Earnings	Total
INFLATION ADJUSTED	ZWL$000	ZWL$000	ZWL$000	ZWL$000	ZWL$000	ZWL$000	ZWL$000
30-Sep-19	**2 453**	**228 484**	**1 807 206**	**1 877**	**86 216**	**1 923 176**	**4 049 412**
Profit for the year	-	-	-	-	-	821 416	821 416
Other comprehensive income	-	-	(1 211 636)	-	22 114	-	(1 189 522)
Transfer between reserves	-	-	-	-	-	-	-
30-Sep-20	**2 453**	**228 484**	**595 570**	**1 877**	**108 330**	**2 744 592**	**3 681 306**
Profit for the year	-	-	-	-	-	(660 500)	(660 500)
Other comprehensive income	-	-	23 440	-	13 042	-	36 482
Transfer between reserves				(1 877)		1 877	-
30-Sep-21	**2 453**	**228 484**	**619 010**	**-**	**121 372**	**2 085 969**	**3 057 288**
HISTORICAL							
30-Sep-19	**47**	**4 378**	**183 926**	**36**	**5 647**	**65 745**	**259 779**
Profit for the year	-	-	-	-	-	682 421	682 421
Other comprehensive income	-	-	724 832	-	14 587	-	739 419
Transfer between reserves	-	-	-	-	-	-	-
30-Sep-20	**47**	**4 378**	**908 758**	**36**	**20 234**	**748 166**	**1 681 619**
Profit for the year	-	-	-	-	-	773 420	773 420
Other comprehensive income	-	-	439 918	-	13 042	-	452 960
Transfer between reserves				(36)		36	-
30-Sep-21	**47**	**4 378**	**1 348 676**	**-**	**33 276**	**1 521 622**	**2 907 999**

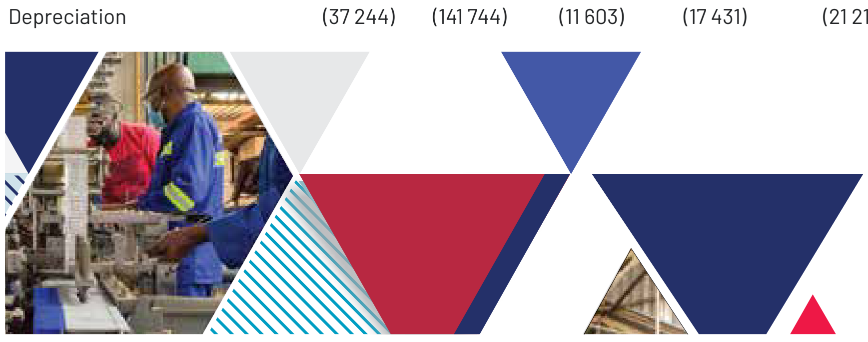
GROUP STATEMENT OF CASH FLOWS

For the year ended 30 September	HYPER-INFLATED 2021 ZWL$ 000	HYPER-INFLATED 2020 ZWL$ 000	HISTORICAL 2021 ZWL$ 000	HISTORICAL 2020 ZWL$ 000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	552 752	471 891	517 724	34 432
Interest income	752	98	684	32
Finance costs	(61 185)	(19 337)	(67 893)	(8 700)
Income tax paid	(76 435)	(31 609)	(76 435)	(11 579)
Cash generated from operating activities	**415 884**	**421 043**	**374 080**	**14 185**
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(513 678)	(447 959)	(468 981)	(45 822)
Costs capitalized to biological assets	(78 688)	(51 468)	(44 828)	(18 967)
Acquisition of subsidiary net of cash	(62 559)	-	(57 726)	-
Proceeds on disposal of property, plant and equipment	3 009	1 611	2 844	1 044
Dividends received	1 398	1 051	1 271	164
Cash utilised in investing activities	**(650 518)**	**(496 765)**	**(567 421)**	**(63 581)**
FINANCING ACTIVITIES:				
Proceeds from borrowings	320 673	128 454	264 800	84 733
Repayment of borrowings	(64 610)	(37 629)	(43 220)	(22 566)
Cash generated from financing activities	**256 063**	**90 825**	**221 580**	**62 167**
Increase in cash and cash equivalents	21 429	15 103	28 239	12 771
Cash and cash equivalents at the beginning of the year	**20 007**	**4 904**	**13 197**	**426**
Cash and cash equivalents at the end of the year	**41 436**	**20 007**	**41 436**	**13 197**
Comprising:				
Cash resources	53 549	79 713	53 549	52 581
Overdrafts	(12 113)	(59 706)	(12 113)	(39 384)
Cash and cash equivalents at 30 September	**41 436**	**20 007**	**41 436**	**13 197**

GROUP SEGMENT RESULTS

INFLATION ADJUSTED

Sept 20	Paper	Batteries	Plantations	Stationery	Central Admin	Adjustments & Eliminations	Group
Revenue from contracts with customers	442 208	4 067 272	171 919	325 488	-	(1 062 399)	**3 944 488**
Operating profit	27 161	1 155 371	55 349	35 144	(19 438)	-	**1 253 587**
Finance costs	(3 296)	(7 568)	-	(3 296)	(40 971)	-	**(55 131)**
Segment Assets	578 994	2 037 398	1 587 852	184 593	546 081	-	**4 934 918**
Segment liabilities	(84 537)	(436 249)	(193 147)	(84 576)	(455 103)	-	**(1 253 612)**
Capital expenditure	(16 173)	(389 504)	(9 652)	(12 457)	(20 173)	-	**(447 959)**
Depreciation	(47 099)	(90 969)	(30 132)	(30 344)	(28 529)	-	**(227 073)**
Sept 21							
Revenue from contracts with customers	1 166 942	4 547 570	187 296	435 651	-	(1 338 296)	**4 999 163**
Operating profit	(176 029)	673 660	(803)	78 063	15 014	-	**589 905**
Finance costs	(5 527)	(7 906)	-	(762)	(72 708)	-	**(86 903)**
Segment Assets	957 151	1 998 864	1 334 358	247 674	452 255	-	**4 990 302**
Segment liabilities	(490 276)	(718 276)	(236 339)	(114 031)	(374 092)	-	**(1 933 014)**
Capital expenditure	(271 572)	(213 875)	(5 293)	(5 219)	(17 719)	-	**(513 678)**
Depreciation	(37 244)	(141 744)	(11 603)	(17 431)	(21 210)	-	**(229 232)**



GROUP SEGMENT RESULTS (CONT'D)

HISTORICAL

Sept 20	Paper	Batteries	Plantations	Stationery	Central Admin	Adjustments & Eliminations	Group
Revenue from contracts with customers	147 320	1 526 474	57 499	84 168	-	(655 647)	**1 159 814**
Operating profit	9 502	374 347	18 712	12 998	(58 821)	-	**356 738**
Finance cost	(1 778)	(3 651)	-	(422)	(22 983)	-	**(28 834)**
Segment Assets	358 053	1 256 348	1 030 399	84 541	196 397	-	**2 925 738**
Segment liabilities	(179 822)	(456 103)	(175 965)	(78 334)	(353 895)	-	**(1 244 119)**
Capital expenditure	(5 211)	(23 598)	(6 448)	(3 345)	(7 220)	-	**(45 822)**
Depreciation	(6 484)	(25 076)	(2 627)	(5 819)	(3 874)	-	**(43 880)**
Sept 21							
Revenue from contracts with customers	879 967	3 894 531	155 781	362 767	-	(1 407 515)	**3 885 531**
Operating profit	(130 494)	573 226	7 352	70 772	(23 487)	-	**497 369**
Finance costs	(4 537)	(7 902)	-	(617)	(61 356)	-	**(74 412)**
Segment Assets	920 918	1 931 688	1 329 617	228 903	398 013	-	**4 809 139**
Segment liabilities	(481 260)	(701 547)	(231 124)	(111 946)	(375 263)	-	**(1 901 140)**
Capital expenditure	(268 760)	(174 079)	(6 229)	(4 663)	(15 250)	-	**(468 981)**
Depreciation	(29 999)	(116 541)	(9 686)	(11 733)	(15 422)	-	**(183 381)**

SUPPLEMENTARY INFORMATION

1. **Corporate Information**

   The abridged consolidated financial statements of Amalgamated Regional Trading (ART) Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 30 September 2021 were authorised for issue in accordance with a resolution of the directors on 25 November 2021. ART Holdings Limited is incorporated in the British Virgin Islands and its shares are publicly traded on the Zimbabwe Stock Exchange through its regional subsidiary ART Zimbabwe Limited.

   The main activities of the Group are the manufacture and distribution of paper products, stationery, and lead acid batteries. The Group's principal place of business is 202 Seke Road, Graniteside, Harare.

2. **Basis of preparation**

   The abridged consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the British Virgin Islands Companies Act for International Business Companies (Chapter 291), except for non-compliance with International Accounting Standard ("IAS") 21.

   The consolidated financial statements have been prepared under the current cost basis as per the provisions of IAS 29 "Financial Reporting In Hyper-inflationary Economies". The local accounting regulatory board, Public Accountants and Auditors Board (PAAB) proclaimed all financial periods after 1 July 2019 to be reported under the hyper-inflation accounting basis. Therefore, the primary financial statements of the Group are the inflation adjusted and historical numbers have been provided as supplementary information.

   The sources of the price indices used were the Zimbabwe Statistical office from 2009 to September 2021.

	Indices	Conversion Factor
CPI as at 30 September 2021	3,342,02	1.000
CPI as at 30 September 2020	2,205.2	1.516

3. **Functional and presentation currency**

   These financial statements are presented in Zimbabwe Dollars (ZWL) which is the Group's functional and presentation currency and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

4. **Statement of accounting policy**

   The accounting policies in the preparation of the 2021 financial year interim consolidated financial results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2020.

5. **Borrowings - Inflation Adjusted**

	30 September 2021			30 September 2020		
ZWL 000's	Short-term and Overdraft	Long-term	Total	Short-term and Overdraft	Long-term	Total
Group	286 916	21 178	308 094	135 013	13 783	148 796

   The Borrowings are secured by non-current assets with a net book value of ZWL$1,344 million (2020: ZWL$1,411 million).

   The average cost of borrowings is 45%

DIRECTORS' RESPONSIBILITY

The Company's Directors are responsible for the presentation and fair presentation of the Group's consolidated financial statements, of which this Press Statement is an extract.

These abridged Group financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing requirements and in accordance with International Financial Reporting Standards and the Companies and Other Business Entities Act (Chapter 24:31).

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous annual financial statements.

The Directors would like to advise users to exercise caution in their use of these annual financial statements due to the impact of the change in functional currency in February 2019, its consequent effect on the financial statements and the adoption of the International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies).

EXTERNAL AUDITOR'S OPINION

These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2021 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse audit opinion on the consolidated financial statements with respect to non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates; International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies; and valuation of investment properties and property, plant and equipment.

The Auditors have included a section on key audit matters. The key audit matters were with respect to the revenue recognition; valuation of capital work in progress and valuation of biological assets.

The auditor's report on the consolidated financial statements which form the basis of these financial results is available for inspection at the Group's registered office.

The engagement partner on the audit resulting in the auditor's report is Farai Chibisa (PAAB Number 0547).

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

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To the members of Amalgamated Regional Trading Holdings Limited

Report on the Audit of the Consolidated Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the consolidated inflation adjusted financial statements of Amalgamated Regional Trading Holdings Limited set out on pages 76 to 158, which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant group accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the consolidated inflation adjusted financial statements do not present fairly, in all material respects, the financial position of Amalgamated Regional Trading Holdings Limited as at 30 September 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates

As at 30 September 2021, there were residual effects arising from the requirement to comply with SI 33/2019. In order to comply with SI 33/2019, the foreign currency denominated transactions and balances for the period 1 October 2018 to 22 February 2019 were translated into ZWL on the basis of a rate of 1:1 between USD and RTGS. This was not consistent with the requirements of IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019. The residual effects of this non-compliance have resulted in the misstatement of the retained earnings in the consolidated financial statements for the year ended 30 September 2021. The financial effects of this non-compliance have not been determined.

In addition, during the prior and current financial year, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank exchange rates and/or foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21 because foreign currency was not available for immediate delivery at these rates. The opinion on the prior year consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 30 September 2021.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Group's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

Non-compliance with International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies

Although IAS 29 has been applied appropriately, its application was based on current and prior period financial information which is not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the consolidated financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated financial statements for the year ended 30 September 2021.

Valuation of investment properties; and property, plant and equipment

The determination of fair values for assets presented in the consolidated inflation adjusted financial statements is affected by the prevailing economic environment. These financial statements include investment properties carried at fair value; and property, plant and equipment that was revalued as at 30 September 2021, in accordance with IFRS 13 *"Fair value measurement"*. The valuation of the investment properties; and property, plant and equipment was performed by professional valuers as at 30 September 2021. The property valuations were determined in USD and then translated to ZWL using an exchange rate estimated by management as at 30 September 2021.

Although the USD values reflect the fair value of the investment properties; and property, plant and equipment in USD, the converted ZWL fair values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items in ZWL. The opinion in the prior period consolidated financial statements was modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key Audit Matter
IFRS 15 – Revenue from Contracts There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditor's responsibility to consider fraud of financial statements'. This is a significant risk and accordingly a key audit matter.	Our audit procedures incorporated a combination of tests of the Group's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following: • Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Tested design, existence and operating effectiveness of internal controls implemented as well as test of details to

	ensure accurate processing of revenue transactions • Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the revenue recognition is appropriate.
Valuation of Capital Work In Progress (WIP) • The Group is involved in the re-capitalisation of the Kadoma Paper Mills tissue plant. As at 30 September 2021, work in progress on the new plant was valued at **ZWL 236 164 637**. • The volume of transactions involved in the capitalization and the complexity of the nature of works involved has resulted in the identification of Work In Progress as a Key Audit Matter.	• We assessed the Group's process of recognizing costs incurred in acquiring, dismantling and transporting the plant. • We considered the limitations that impact the quality of the valuation placed on the work in progress. • We also reviewed invoices and other supporting documentation utilised by management to support the valuation of all work in progress. • We also reviewed invoices for each truck load received and compared to the packing list. • We evaluated the effectiveness of management's controls over the receipt and recording of the plant components received. We are satisfied that capital work in progress has been properly valued and classified in the consolidated financial statements.
Biological assets • Timber plantations are classified as biological assets and are accounted	In addressing the matter, our procedures included the following:

for in accordance with International Accounting Standard (IAS) 41 - *'Agriculture'*. • The valuation of biological assets is an area of significant estimation and judgement. The valuation requires complex measurements and involves estimation uncertainty. • The key measurements and assumptions having the most significant impact on the fair value of the biological assets include: ❖ Determination of market prices of timber for fair valuation in accordance with IFRS 13; ❖ Determination of maturity profile of the plantations as at 30 September 2021; ❖ Determination of timber growth estimations; ❖ Determination of expected yields; and ❖ Determination of appropriate discounting rate(s). • Due to estimation and assumptions involved in the determination of the fair value of biological assets, this area has been considered as a key audit matter.	• Obtaining an understanding and testing the design and operating effectiveness of relevant controls; • Assessing and evaluating the key assumptions and methodologies used in the valuation model by management in determining the fair values of the biological assets for reasonableness. • Assessing the reasonableness of the Group's fair value calculation and the related sensitivity disclosures, by performing our own sensitivity analysis on the biological assets. • Assessing the consistency of application of the valuation model with that of the prior years. • Independently calculating the fair value and comparing the valuation model inputs to internal data and the external data. • Involved our internal valuation experts to evaluate the discount rate used by management in discounting cash flows. Reviewing the appropriateness and adequacy of the disclosures in the consolidated financial statements.

Other information

The Board is responsible for the other information. The other information comprises the Annual Report which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our Basis for Adverse Opinion, the financial statements have been properly prepared in compliance with the requirements of the Companies and Other Business entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this Independent auditor's report is Farai Chibisa.

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

08 December 2021

HARARE