HWANGE
COLLIERY COMPANY LIMITED
(Incorporated in Zimbabwe)

Hwange Colliery Company Limited

ABRIDGED AUDITED FINANCIAL RESULTS

For the year ended 31 December 2021

PROUDLY PROVIDING MORE THAN JUST COAL

REGISTERED OFFICE: 7th Floor, Coal House, 17 Nelson Mandela Avenue
P. O. Box 2870,Harare, Zimbabwe. pacosec@hrehwange.co.zw

ADMINISTRATOR'S LETTER

OVERVIEW

The operating economic environment for the year under review was fairly stable, with some price discovery challenges affecting the company's input costs and profitability. Despite these challenges, the market was buoyed by a strong demand for both thermal and coking coal that positively pushed sales.

FINANCIAL PERFORMANCE

Revenue improved by 31% from ZWL 7.2 billion in 2020 to ZWL 9.4 billion in 2021 on an inflation-adjusted basis. This was largely driven by a combination of an increase in sales of high value coking coal and regular product price adjustments done during the year in line with market value.

Gross profit increased by 26% from ZW1.6 billion prior year to ZWL 2.1 billion in inflation adjusted terms this year. The company posted a net profit of ZWL 28.6 million during the year and the decrease was mostly attributed to exchange rate impact on legacy debts. Legacy debts contributed ZWL 904 million of unrealised losses on inflation adjusted terms.

REVIEW OF OPERATIONS

The Company's production increased by 49.5% during the period under review. The sales volumes also increased by 39% compared to prior year. Operations were negatively affected by the prevalence of Covid-19 pandemic, depressed cash-flows to import spares and consumables as well as the depressed market for NPD (nuts, peas and duff) and Duff products. Going forward, the Company is targeting to increase coking coal production and sales, which will in turn increase capacity to discharge obligations to creditors as well as create a positive balance sheet in the medium term.

The strategic priorities for the Company's year were as follows:

a) **Safety, Health, Environment and Quality**
HCCL experienced a fatality free shift record for the period under review. The Company ran a successful Covid-19 awareness and vaccination program, for both workers and the greater Hwange Community.

The company did a detailed assessment on the 7 East underground fires and it has engaged a German-based company to do the fire control strategy.
The lost shift injury frequency rate improved due to initiatives, such as increasing safety awareness campaigns, systems implementation and technology embracing. HCCL embraced a risk/opportunity-based approach to operations aimed at enhancing journey to zero harm. Top risks included Acid Mine Drainage, for which an Environmental Management Plan (EMP) to manage its effects is now in place. Likewise, robust measures aimed at reducing similar incidents related to non-communicable diseases were established through a Wellness policy.

b) **Coal Production**
During the period under review, focus was on increasing production and sales of high value coking coal. Raw coking coal and clean coking coal sales increased by 226% from 63 294 tonnes in 2020 to 206 564 tonnes in 2021. The coking coal sales volumes were however limited by washing capacity constraints and the company redressed it by recommissioning a washing plant during the period under review.

c) **Open Cast Mining**
Total coal mined by Opencast operations was 1 804 663 tonnes, a 53% increase in production from the previous year.

A total of 733,102 tonnes of coal was delivered to Hwange Power Station during the course of the year, which was an increase of 11% from previous year. Deliveries into the power station were however negatively affected by plant challenges in the power station and limited stock holding space.

d) **Underground Mining**
3 Main Underground Mine coal production was 27% higher than the previous year. This was mainly because of improved operational funding and credit facility availed by spares suppliers.

e) **Fixed and Mobile Plant Repair**
Significant investment has been made in repairs and maintenance of the existing plant and equipment. Repair work on the Heavy Media Separation (HMS) washing plant was completed and the plant was recommissioned in April 2021.

f) **Cost Control**
The Company continues to put emphasis on a low-cost high productivity strategy. This has enabled the organisation to significantly reduce its costs to remain viable. Tight controls remain on costs and this has had positive impact on cash flows as well.

OUTLOOK

Strategic plans to unearth the Company's potential are being developed and these include: -

a) **Increasing the Volume of High Value Coking Coal**
The company has entered into an equipment mobilisation agreement for the Underground Mine, that will result in the company getting new underground mining equipment valued in excess of USD 15 million in the next two years. This arrangement will enable us to increase production to 50 000 tonnes per month in the second half of 2022, then 100 000 tonnes per month first half of 2023 and 150 000 tonnes per month in the last quarter of year 2023 compared to the current production of 15 000 tonnes per month. In addition, Opencast operations at the JKL pit will continue to be capacitated in order to increase high value coking coal in the product mix, the target being to increase production to 90 000 tonnes per month by end of 2022. The company also engaged a new mining contractor to increase high value coking coal with a target production of 20 000 tonnes per month.

b) **Fixed Plant Repair and Restoration to Capacity**
The main thrust as we move into 2022 is to ensure that we fully capacitate our opencast and underground mine by addressing all bottlenecks currently affecting the mining process. The equipment mobilisation contract has a washing plant that will be located near the mining areas, this equipment will be commissioned during the second quarter of 2022. This will reduce hauling and processing costs. The organisation will also go on a vigorous proactive maintenance drive to continue to stabilise the current washing capacity at both the HMS plant and the Jig and Floatation plant.

c) **Chaba Mine**
The company is at an advanced stage to engage a new mining contractor to increase thermal and industrial coal. This will result in increased monthly production by 40 000 towards the end of 2022. This will enable the company to meet its demand of dry products.

d) **Coke Oven**
The company has engaged a contractor to resuscitate beehive coke ovens to produce high value foundry coke with high demand in the export market. The production is targeted to commence during the first quarter of 2022, and will generate about USD3.4 million in 2022.

e) **Option Area and Lubimbi Development**
The development of the Option Area and Lubimbi coal fields is planned for the medium term. The Company has therefore held stakeholder engagements at Lubimbi in preparation for the mining process. The Company is also looking at the prospects of electricity generation at Lubimbi to complement the mining process. Preparatory work towards mining Option Area has begun.

f) **Increase of Export Sales Volumes**
The Company aims to grow its market share of coking coal sales in neighbouring countries, as its coking coal and coke meet quality specifications in the ferro-chrome industries and smelters. Plans to develop dedicated solutions for the delivery of coking coal and coke products in the region are underway. The Company will continue in 2022 with the momentum it gathered at the end of 2021 on exports, after it was negatively affected by Covid- 19 during the first half of 2021.

ZSE LISTING

The Zimbabwe Stock Exchange suspension owing to Administration continues.

DIRECTORATE

There are no directors in place due to Administration.

DIVIDENDS

No dividends were declared during the year.

APPRECIATION

I would like to express my gratitude to my fellow administration team for their continued leadership and commitment to the company. I would also like to thank management and employees for their dedication and continued loyalty to the organisation despite the challenges faced by the company. I would also want to thank our valued stakeholders who supported the company during the year.

Eng D S. Sibanda (Mr)
ADMINISTRATOR
13 May 2022

Mr B. Mhatiwa
ACTING MANAGING DIRECTOR
13 May 2022

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	Inflation Adjusted 2021 ZWL 000	Inflation Adjusted 2020 ZWL 000	Historical Cost 2021 ZWL 000	Historical Cost 2020 ZWL 000
ASSETS					
Non current assets					
Property, plant and equipment	13	17 410 161	17 939 147	10 761 079	11 160 545
Investment property	14	1 193 379	1 160 663	458 433	442 075
Investments accounted for using the equity method	15	660 737	666 359	14 753	16 167
Intangible assets		-	6 620	-	53
Inventories - non current portion	17	319 551	422 945	4 945	6 545
		19 583 828	**20 195 734**	**11 239 210**	**11 625 385**
Current assets					
Inventories	18	1 441 310	1 181 439	1 156 729	558 404
Trade and other receivables	19	976 371	837 004	976 371	520 728
Cash and cash equivalents	21	100 518	102 508	100 518	63 774
		2 518 199	2 120 951	2 233 618	1 142 906
Total assets		**22 102 027**	**22 316 685**	**13 472 828**	**12 768 291**
EQUITY, RESERVES AND LIABILITIES					
Equity and reserves					
Share capital	22	3 250 783	3 250 783	45 962	45 962
Share premium		36 915	36 915	578	578
Non-distributable reserve		308 259	308 259	4 358	4 358
Revaluation reserve		233 094	233 094	8 357 425	8 357 425
Retained earnings/(Accumulated losses)		9 012 341	8 983 737	(2 257 634)	(1 167 879)
		12 841 392	**12 812 789**	**6 150 689**	**7 240 444**
Non current liabilities					
Borrowings	23.1	183 266	301 375	183 266	187 496
Long term creditors	24	2 771 114	2 950 773	2 771 114	1 835 774
Income tax liability	25	4 148	16 162	4 148	10 055
Deferred tax liability	27	4 069 825	4 173 220	2 131 329	2 211 454
		7 028 353	**7 441 530**	**5 089 857**	**4 244 779**
Current liabilities					
Borrowings	23.2	53 222	241 157	53 222	150 031
Trade and other payables	21	1 375 489	1 324 568	1 375 489	824 059
Provisions	26	803 571	496 642	803 571	308 978
		2 232 282	**2 062 367**	**2 232 282**	**1 283 068**
Total equity and liabilities		**22 102 027**	**22 316 685**	**13 472 828**	**12 768 291**

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	Inflation Adjusted 2021 ZWL 000	Inflation Adjusted 2020 ZWL 000	Historical Cost 2021 ZWL 000	Historical Cost 2020 ZWL 000
Revenue	4	9 430 726	7 182 766	7 505 194	3 050 637
Cost of sales		(7 377 043)	(5 546 504)	(5 927 407)	(2 579 805)
Gross profit		2 053 683	1 636 262	1 577 787	470 832
Other income	6	52 357	190 090	44 178	112 553
Other losses and gains	7	(904 177)	(1 740 158)	(780 795)	(1 052 792)
Marketing costs		(49 333)	(27 451)	(40 878)	(11 586)
Administrative costs		(2 233 700)	(1 214 569)	(1 859 896)	(572 790)
Gain on net monetary position		1 138 892	3 261 994	-	-
Operating profit/loss before interest and tax		57 722	2 106 168	(1 059 664)	(1 053 783)
Finance costs	8	(126 891)	(78 195)	(108 862)	(28 499)
Share of profit/(loss) from equity accounted investments	9	(5 622)	4 569	(1 414)	1 390
Profit/(loss) before tax	10	(74 791)	2 032 542	1 169 880	(1 080 892)
Income tax credit/(expense)	11	103 395	709 105	80 125	441 157
PROFIT/LOSS FOR THE YEAR		28 604	2 741 647	(1 089 755)	(639 735)
Other comprehensive income:					
Gain on revaluation property, plant and equipment		-	309 636	-	8 668 517
Tax effect of revaluation		-	(76 542)	-	(2 142 857)
		-	233 094	-	6 525 660
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		28 604	2 974 741	(1 089 755)	5 885 925
Attributable profit/(loss) per share	12.1	0.16	16.19	(5.83)	(3.48)
Diluted earnings/(loss) per share	12.2	0.16	14.92	(5.83)	(3.48)
Headline earnings/(loss) per share	12.3	0.20	(19.78)	(5.91)	(3.50)
Diluted headline earnings/(loss) per share	12.4	0.20	(19.78)	(5.91)	(3.50)

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Inflation Adjusted					
	Share capital ZWL 000	Share premium ZWL 000	Non-distributable reserve ZWL 000	Revaluation reserve ZWL 000	Retained Earnings /(Accumulated) Losses ZWL 000	Total ZWL 000
Balance at 1 January 2020	3 250 783	36 915	308 259	-	6 242 090	9 838 047
Total comprehensive income	-	-	-	233 094	2 741 647	2 974 741
Balance at 31 December 2020	3 250 783	36 915	308 259	233 094	8 983 737	12 812 788
Balance at 1 January 2021	3 250 783	36 915	308 259	233 094	8 983 737	12 812 788
Total comprehensive income	-	-	-	-	28 604	28 604
Balance at 31 December 2021	3 250 783	36 915	308 259	233 094	9 012 341	12 841 392

	Historical Cost					
	Share capital ZWL 000	Share premium ZWL 000	Non-distributable reserve ZWL 000	Revaluation reserve ZWL 000	Retained Earnings /(Accumulated) Losses ZWL 000	Total ZWL 000
Balance at 1 January 2020	45 962	578	4 358	1 831 765	(528 144)	1 354 519
Total comprehensive income	-	-	-	6 525 660	(639 735)	5 885 925
Balance at 31 December 2020	45 962	578	4 358	8 357 425	(1 167 879)	7 240 444
Balance at 1 January 2021	45 962	578	4 358	8 357 425	(1 167 879)	7 240 444
Total comprehensive income	-	-	-	-	(1 089 755)	(1 089 755)
Balance at 31 December 2021	45 962	578	4 358	8 357 425	(2 257 634)	6 150 689

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

		Inflation Adjusted		Historical Cost	
	Notes	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(74 791)	2 032 542	(1 169 880)	(1 080 892)
Adjustment for non-cash items:					
Foreign exchange gain/(loss)	7	904 177	2 321 619	780 795	1 414 539
Finance costs	8	126 891	78 195	108 862	28 499
Impairment	13	15 259	-	9 040	-
Depreciation	13	544 408	510 387	429 356	157 107
Fair value adjustment on investment property	14	-	(581 461)	-	(361 747)
Share of loss/(profit) from equity accounted investments	9	5 622	(4 569)	1 414	(1 390)
Amortisation		6 620	700	53	213
Allowance for credit losses		(37 134)	193 603	(37 134)	120 447
Gain on net monetary position		(1 138 892)	(3 261 994)	-	-
Operating cash flow before changes in working capital		352 160	1 289 022	122 506	276 779
Changes in working capital					
Increase in inventory		(77 019)	(1 543 691)	(596 725)	(469 680)
Decrease in stripping activity asset		-	2 365	-	1 471
Increase in receivables		(139 367)	(1 290 123)	(418 509)	(392 531)
Increase in provisions		306 929	931 211	494 593	283 330
Increase in trade and other payables		50 921	2 128 491	551 430	647 612
Cash utilised in operating activities		(199 376)	1 517 275	153 295	346 978
Interest paid		(2 631)	(34 625)	(2 039)	(10 537)
Net cash flows utilised in operating activities		(202 007)	1 482 650	151 256	336 441
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	13	(56 974)	(301 502)	(55 288)	(175 166)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(decrease) in long-term creditors		65 944	(756 365)	51 103	(230 129)
Proceeds from borrowings		-	336 909	-	197 765
Repayment of borrowings		(148 235)	(411 820)	(110 327)	(76 518)
Net cash flows generated from financing activities		(82 291)	(831 276)	(59 224)	(108 882)
Net increase in cash and cash equivalents		(341 272)	349 872	36 744	52 393
Cash and cash equivalents at beginning of the year		102 508	18 293	63 774	11 381
Effects of inflation		339 282	(265 657)	-	-
Cash and cash equivalents at end of year	21	100 518	102 508	100 518	63 774

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

1 Nature of operations and general information

Hwange Colliery Company Limited is a Company whose principal activities include extraction, processing and distribution of coal and coal products and provision of health services and various retail goods and services. Its activities are categorised into the following three (3) areas:

i) Mining - the extracting, processing and distribution of coal and coal products.
ii) Medical services - provides healthcare to staff members and the surrounding community.
iii) Estates - the division provides properties for rental and sells retail goods and services.

The Company is a limited liability Company incorporated and domiciled in Zimbabwe. It is listed primarily on the Zimbabwe Stock Exchange (ZSE), and has secondary listing on the Johannesburg Stock Exchange (JSE) and London Stock Exchange (LSE).

The company's financial statements were authorised for issue on the 13th of May 2022.

Presentation currency
These financial statements are presented in Zimbabwean Dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Company operates.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

2 Statement of compliance

The abridged financial results of the Company have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The same accounting policies, presentation and methods followed in the abridged financial results are as applied in the Company latest annual financial statements. The Company partially complied with the International Financial Reporting Standards due to the requirement to comply with Statutory Instrument 33 of 2019.

IAS 29 'Financial Reporting in Hyper -Inflationary Economies'

The Company adopted IAS 29 – "Financial Reporting in Hyper -Inflationary Economies" effective 1 January 2019 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board "PAAB". IAS 29 requires that the financial statements prepared in the currency of a hyper-inflationary economy be stated in terms of a measuring unit current at the balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index(CPI) prepared by the Reserve Bank Of Zimbabwe. The conversion factors used to restate the financial statements at 31 December 2021, are as follows:

Date	Indices	Conversion Factor
31 December 2021	3977.46	1.000
31 December 2020	2474.51	1.607

2.1 Changes in accounting policy and disclosures
Other standards and amendments that are not yet effective and have not been adopted early by the Company include:

2.1.1 Proceeds before intended use (Ammendments to IAS 16)
The IASB ('Board') has concluded that the cost of an asset includes any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. One of those costs is testing whether the asset is functioning properly.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing an item of PPE to see if it is functioning properly). The proceeds from selling the output generated when the item of PPE is in the development phase, together with the costs of production, are now recognised in profit or loss. An entity will use IAS 2, 'Inventories', to measure the cost of the output generated. The cost of the output will not include depreciation of the PPE being tested, because depreciation only commences when the item of PPE is ready for its intended use and has moved to the production phase.

2.1.2 Onerous contracts- Cost of fulfilling a contract (Ammendments to IAS 37)
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2.1.3 Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current
On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires that liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).he assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.

3 Summary of accounting policies

3.1 Overall considerations
The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

3.2 Foreign currency translation
Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Company's financial statements, all assets, liabilities and transactions of the entities with a functional currency other than the ZWL , are translated into ZWL.

3.3 Investment in associates and joint ventures
Investments in associates and joint ventures are accounted for using the equity method.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The carrying amount of the investments is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of the assets and liabilities.

Unrealised gains/losses on transactions between the Company and its associates or joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

3.4 Revenue recognition
Revenue comprises revenue from the sale of goods and the rendering of services. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

3.4.1 Sale of goods
Revenue represents sales of coal and related products and is recognised after the following:

To determine whether to recognise revenues, the Company follows a 5 step process:

1. Identifying the contract with the customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transactional price to the performance obligations
5. Recognising revenues when/as performance obligation(s) are satisfied.

3.4.2 Dividend income
Dividend revenue from investments is recognised when the Shareholder's right to receive payment has been established.

3.4.3 Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset to that asset's net carrying amount.

3.4.4 Rendering of services
Revenue from the rendering of services from the hospital, estates and investment property is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

4 Revenue

	Inflation Adjusted		Historical Cost	
	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
The Company's revenues from external customers are divided into the following geographical areas:				
Sales within Zimbabwe	9 161 979	7 014 652	7 278 985	2 966 796
Sales elsewhere in Sub-Saharan Africa	268 747	168 114	226 209	83 841
Total revenue	9 430 726	7 182 766	7 505 194	3 050 637

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NOTES TO THE FINANCIAL STATEMENTS
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5 Segment reporting

For management purposes, the Company is organised into divisions based on its products and services and has three reportable segments, as follows:

-The Mining Division, which mines and sells coal and coal products;
-The Medical services Division, which provides medical services; and
-The Estates Division, which leases property owned by the Company.
No operating segments have been aggregated to form the above reportable operating segments.

Segment information for the reporting period is as follows:

	Inflation Adjusted		Historical Cost	
	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
Mining	8 522 815	6 603 872	6 819 229	2 857 210
Medical services	171 514	137 408	134 207	56 034
Estates	736 397	441 486	551 758	137 393
	9 430 726	7 182 766	7 505 194	3 050 637

6 Other income

Rental income	21 048	4 936	17 061	1 145
Sale of scrap metal	3 741	8 473	2 662	4 296
Sundry income	27 568	176 681	24 455	107 112
	52 357	190 090	44 178	112 553

7 Other losses and gains

Fair value adjustment on investment property	-	581 461	-	361 747
Foreign exchange loss	(904 177)	(2 321 619)	(780 795)	(1 414 539)
	(904 177)	(1 740 158)	(780 795)	(1 052 792)

8 Finance costs

Interest on loans and overdrafts	126 891	78 195	108 862	28 499

Interest on loans and overdraft comprise of interest charged on the Government of Zimbabwe treasury bills at a rate of 7% per annum , ZAMCO and EXIM loan and finance lease facilities at an interest rate of 7% and LIBOR + 3.5% per annum respectively.

9 Share of profit/(loss) from equity accounted investments

Included in this amount is the Company's share of loss after tax from:

Clay Products Limited	(5 622)	4 569	(1 414)	1 390
Zimchem Refineries(Private) Limited	-	-	-	-
Hwange Coal Gasification Company	-	-	-	-
	(5 622)	4 569	(1 414)	1 390

Audited financial information for Hwange Coal Gasification Company, Zimchem (Private) Limited and Clay products (Private) Limited were not available at the date of publication.

10 Profit/(loss) before tax

Profit/(loss) before tax for the year has been arrived at after charging the following:

Expected credit losses	(37 134)	237 589	(37 134)	120 447
Amortisation	6 620	700	53	213
Audit fees	16 909	10 053	13 894	4 166
Depreciation on property, plant and equipment (note 13)	544 408	510 387	429 356	157 107
Impairment of assets (note 13)	15 259	-	9 040	-
Adminstrative fees	282 922	215 483	225 156	91 519
- Executive Directors	25 267	18 674	15 122	4 704
Employee benefits expense (note 10.1)	2 686 777	2 476 982	1 454 739	519 210

10.1 Employee benefits expense

Salaries and other contributions	1 782 492	1 625 606	1 381 339	494 605
Contribution to Mining Industry Pension Fund	883 166	840 554	57 034	21 312
Contribution to National Social Security Authority	21 119	10 822	16 366	3 293
	2 686 777	2 476 982	1 454 739	519 210

Employee benefit expense amounting to ZWL 781 316 (2020: ZWL 328 038) was charged directly to cost of sales. In the inflation adjusted accounts, an amount of ZWL 1 078 156 (2020: ZWL 978 217) was charged to cost of sales.

11 Income tax

Current tax	-	-	-	-
Deferred tax	(103 395)	(709 105)	(80 125)	(441 157)
Income tax (credit)/expense	(103 395)	(709 105)	(80 125)	(441 157)

12 Earnings/(loss) per share

12.1 Basic

Profit/(loss) attributable to shareholders	28 604	2 741 647	(1 089 755)	(639 735)
Weighted average number of ordinary shares in issue	183 721	183 721	183 721	183 721
Basic earnings/(loss) per share (ZWL)	0.16	14.92	(5.93)	(3.48)

Basic earnings/(loss) per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

12.2 Diluted

For earnings/(loss) per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares being share options granted to employees.

The earnings/(loss) used in the calculation of all diluted loss per share measures are the same as those for the equivalent basic loss per share measures, as outlined above.

In the diluted earnings/(loss) per share the share options calculation is done to determine the number of shares that could have been acquired (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution; for the share option calculation no adjustment is made to earnings/(loss).

Earnings/(loss) used to determine diluted earnings/(loss) per share	28 604	2 741 647	(1 089 755)	(639 735)
Weighted average number of ordinary shares in issues	183 721	183 721	183 721	183 721
Diluted earnings/(loss) per share (ZWL)	0.16	14.92	(5.93)	(3.48)

12.3 Earnings/loss per share

Headline earnings/(loss) per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing the headline earnings/(loss) shown below by the number of shares in issue during the year.

IAS 33 -Loss for the year	28 604	2 741 647	(1 089 755)	(639 735)
Non - recurring items:				
Proceeds on sale of scrap	(3 741)	(8 473)	(2 662)	(4 296)
Impairment of assets/(reversal)	15 259	-	9 040	-
Tax effect of the above	(2 851)	2 097	(1 579)	1 063
Headline earnings/(loss)	37 271	2 735 271	(1 084 956)	(642 968)
Weighted average number of ordinary shares in issue	183 721	183 721	183 721	183 721
Headline earnings/(loss) per share (ZWL)	0.20	14.89	(5.91)	(3.50)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

12.4 Diluted headline earnings/(loss) per share

	Inflation Adjusted		Historical Cost	
	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
Profit/(loss) used to determine diluted headline loss per share	37 271	2 735 271	(1 084 956)	(642 968)
Weighted average number of ordinary shares in issue	183 721	183 721	183 721	183 721
Diluted headline loss per share (ZWL)	0.20	14.89	(5.91)	(3.50)

13 Property, plant and equipment

Inflation Adjusted

	Freehold land and buildings ZWL 000	Plant, machinery and & movables ZWL 000	Motor vehicles ZWL 000	Capital work in progress ZWL 000	Total ZWL 000
Year ended 31 December 2021					
Cost/gross carrying amount					
Balance at 1 January	13 436 876	5 670 783	280 845	180 559	19 569 063
Additions	-	22 327	28 655	5 992	56 974
Reclassification of assets	-	(26 056)	-	(237)	(26 293)
Balance as at 31 December	13 436 876	5 667 054	309 500	186 314	19 599 744
Depreciation and impairment					
Balance at 1 January	453 322	1 114 769	44 872	16 953	1 629 916
Depreciation charge for the year	365 219	141 472	37 717	-	544 408
Impairment	-	-	-	15 259	15 529
Balance as at 31 December	818 541	1 256 241	82 589	32 212	2 189 583
Carrying amount as at 31 December	12 618 335	4 410 813	226 911	154 102	17 410 161
Year ended 31 December 2020					
Cost/ gross carrying amount					
Balance at 1 January	13 216 582	5 448 797	230 207	62 339	18 957 925
Revaluation	220 294	86 402	2 940	-	309 636
Additions	-	135 584	47 698	118 220	301 502
Reclassification of assets	-	-	-	-	-
Balance as at 31 December	13 436 876	5 670 783	280 845	180 559	19 569 063
Depreciation and impairment					
Balance at 1 January	282 583	796 632	23 361	16 953	1 119 529
Depreciation charge for the year	170 739	318 137	21 511	-	510 387
Balance as at 31 December	453 322	1 114 769	44 872	16 953	1 629 916
Carrying amount at 31 December	12 983 554	4 556 014	235 973	163 606	17 939 147

Historical Cost

	Freehold land and buildings ZWL 000	Plant, machinery and & movables ZWL 000	Motor vehicles ZWL 000	Capital work in progress ZWL 000	Total ZWL 000
Year ended 31 December 2021					
Cost/gross carrying amount					
Balance at 1 January	10 389 096	847 212	154 414	82 195	11 472 917
Additions	6 459	18 760	24 077	5 992	55 288
Reclassification of assets	-	(16 121)	-	(237)	(16 358)
Balance as at 31 December	10 395 555	849 851	178 491	87 950	11 511 847
Depreciation and impairment					
Balance at 1 January	91 748	208 411	9 862	2 351	312 372
Depreciation charge for the year	288 036	111 574	29 746	-	429 356
Impairment	-	-	-	9 040	9 040
Balance as at 31 December	379 784	319 985	39 608	11 391	750 768
Carrying amount at 31 December	10 015 771	529 866	138 883	76 559	10 761 079
Year ended 31 December 2020					
Cost/ gross carrying amount					
Balance at 1 January	1 832 979	755 682	31 927	8 646	2 629 234
Additions	-	75 172	26 445	73 549	175 166
Revaluation	8 556 117	16 358	96 042	-	8 668 517
Balance as at 31 December	10 389 096	847 212	154 414	82 195	11 472 917
Depreciation and impairment					
Balance at 1 January	39 191	110 483	3 240	2 351	155 265
Depreciation charge for the year	52 557	97 928	6 622	-	157 107
Balance as at 31 December	91 748	208 411	9 862	2 351	312 372
Carrying amount at 31 December	10 297 348	638 801	144 552	79 844	11 160 545

14 Investment property

	Inflation Adjusted		Historical Cost	
	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
Valuation at 1 January	1 160 663	579 202	442 075	80 328
Reclassification of assets	32 716	-	16 358	-
Fair value gains (included in other gains and losses)	-	581 461	-	361 747
At 31 December	1 193 379	1 160 663	458 433	442 075

14.1 The following amount has been recognised in the statement of comprehensive income:

Rental income	21 048	4 936	17 061	1 145

HWANGE
COLLIERY COMPANY LIMITED
(Incorporated in Zimbabwe)

Hwange Colliery Company Limited

ABRIDGED AUDITED FINANCIAL RESULTS

For the year ended 31 December 2021

PROUDLY PROVIDING MORE THAN JUST COAL

REGISTERED OFFICE: 7th Floor, Coal House, 17 Nelson Mandela Avenue
P. O. Box 2870,Harare, Zimbabwe. pacosec@hrehwange.co.zw

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

	Inflation Adjusted		Historical Cost	
	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
15 Investments accounted for using the equity method				
Investments in associates (note 15.1)	-	5 622	-	1 414
Investments in joint venture (note 15.2)	660 737	660 737	14 753	14 753
	660 737	666 359	14 753	16 167
15.1 Investments in associates				
Carrying amount as at 1 January	5 622	1 053	1 414	24
Share of (loss)/profit	(5 622)	4 569	(1 414)	1 390
Carrying amount as at 31 December	-	5 622	-	1 414

The Company holds a 49% voting and equity interest in Clay Products Limited. Hwange Colliery Company Limited also holds a 44% voting and equity interest in Zimchem Refineries (Private) Limited. The investments are accounted for under the equity method.

The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the associates can be summarised as follows:

15.2 Investment in joint venture				
Carrying amount as at 1 January	660 737	660 737	14 753	14 753

16 Mining rights

The Company has four (4) mining concessions, Hwange option area, Hwange Concession, Lubimbi East and Lubimbi West. The special grants, Lubimbi East and Lubimbi West measure 9 648, 4 200 and 10 995 hectares of minable area respectively and were awarded by the Government of Zimbabwe on 31 July 2015. These Concessions will increase the life of the mine by an estimated 50 years.

17 Inventories - non current portion				
Balance at 1 January	422 945	436 607	6 545	8 274
Sales	(103 394)	(13 662)	(1 600)	(1 729)
Balance at 31 December	319 551	422 945	4 945	6 545
Balance at end of year is classified as follows:				
Non-current portion	319 551	422 945	4 945	6 545
Current portion (included in inventories note 18)	85 300	111 730	1 320	1 729
	404 851	534 675	6 265	8 274

The Company accumulated coal fines over the years for which an active market was identified in 2009. Coal fines in excess of the average annual uptake of the product have been classified as non-current assets.

No coal fines were written down in 2021: ZWL nil (2020: ZWL nil).

18 Inventories				
Raw materials/consumables	392 094	320 181	191 493	90 369
Finished goods				
- Coal	963 916	749 528	963 916	466 306
- Coal fines (note 17)	85 300	111 730	1 320	1 729
	1 441 310	1 181 439	1 156 729	558 404

During the year ended 31 December 2021, a total of ZWL 55 962 918 (2020: ZWL55 115 169.75) worth of inventories was included in profit and loss as an expense resulting from write down of inventories to net realisable value.

No reversal of previous write-downs was recognised as a reduction of expense in 2021: nil (2020: nil)

19 Trade and other receivables				
Trade receivables, gross	656 026	924 194	656 026	574 972
Allowance for credit losses	(110 706)	(237 633)	(110 706)	(147 840)
Trade receivables, net	545 320	686 561	545 320	427 132
Other receivables	431 051	150 443	431 051	93 596
	976 371	837 004	976 371	520 728

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Included in trade receivables is an amount of ZWL 62 743 043 (2020: ZWL 34 622 318) relating to related party receivables (note 20).

The Company adopted IFRS 9 "Financial instrustment" from 1 January 2018 which resulted in changes in the accouting policy on trade receivables. The Company elected the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, the credit risk and credit profile of each receivable was considered on an individual basis.

All of the Company's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an increase in allowance for credit losses of ZWL 110 706 277(2020:ZWL 237 633 000) has been recognised. The current year ECL reduced as result of more debtors during the last quarter of the year majority of these were in december which has a lower probability of default.

The movement in the allowance for credit losses can be reconciled as follows:

Balance 1 January	147 840	44 030	147 840	27 393
(Decrease)/Increase in allowance for credit losses	(37 134)	193 603	(37 134)	120 447
Balance 31 December	110 706	237 633	110 706	147 840

20 Related party disclosures

Related party balances and transactions
Included in the trade receivable and trade payable balances are related party balances that resulted from transactions that occurred between Hwange Colliery Company Limited and its related parties.

Related party receivables:				
Hwange Coal Gasification Company	62 493 298	34 242 879	62 493 298	21 303 645
Clay Products (Private) Limited	-	-	-	-
Zimchem Refineries (Private) Limited	249 745	379 439	249 745	236 062
	62 743 043	34 622 318	62 743 043	21 539 707
Related party payables:				
Hwange Coal Gasification Company	-	6 973 859	-	4 338 672
Clay Products (Private) Limited	1 448 210	-	1 448 210	-
Zimchem Refineries (Private) Limited	-	422 943	-	263 127
	1 448 210	7 396 802	1 448 210	4 601 799

21 Cash and cash equivalents

For purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts.

Bank and cash balances	100 518	102 508	100 518	63 774
22 Share capital and reserves				
Authorised				
204 000 000 Ordinary shares of ZWL0.25 each	3 607 046	3 607 046	51 000	51 000
Issued and fully paid				
110 237 432 Ordinary shares of ZWL0.25 each	1 949 174	1 949 174	27 559	27 559
5 925 699 Ordinary shares issued under share option scheme	107 083	107 083	1 514	1 514
67 557 568 "A" Ordinary shares of ZWL0.25 each	1 194 526	1 194 526	16 889	16 889
	3 250 783	3 250 783	45 962	45 962

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021

	Inflation Adjusted		Historical Cost	
23 Borrowings				
23.1 Long term loans	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
Reserve Bank of Zimbabwe	-	6 705	-	4 171
Government of Zimbabwe	177 137	269 797	177 137	167 850
Zimbabwe Asset Management Corporation (ZAMCO)	6 129	24 873	6 129	15 475
Borrowings	183 266	301 375	183 266	187 496
23.2 Short term loans				
Loinette	-	63 275	-	39 365
CBZ	-	92 334	-	57 444
Pick n Pay	53 222	85 548	53 222	53 222
	53 222	241 157	53 222	150 031

Borrowing terms
Export Import Bank of India (EXIM)

This is a USD 13 005 760 (principal and interest) loan guaranteed by the Reserve Bank of Zimbabwe, taken for the purposes of financing the purchase of coal mining equipment. Interest is charged at a rate of LIBOR + 3.5 % p.a. The Governement of Zimbabwe took over the loan in February 2019.

Government of Zimbabwe
As part of the ongoing restructuring plan, the Government of Zimbabwe through the Ministry of Finance and Economic Development issued treasury bills of USD 41 million and USD 18.216 million in settlement of the Mota Engil and RBZ/PTA Bank loan, respectively. The Government of Zimbabwe has agreed that the Government support be treated as a loan payable over 15 years with a 7% interest per annum in accordance with the provisions of the scheme of arrangement.

An additional USD 52.3 million worth of treasury bills were issued towards the Scheme of Arrangement bringing the total support from the Government of Zimbabwe to USD 111.5 million worth of treasury bills, as approved by the Ministry of Finance and Economic Development.

	Inflation Adjusted		Historical Cost	
24 Trade and other payables	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
24.1 Long term creditors				
Trade	2 771 114	2 950 773	2 771 114	1 835 774
24.2 Trade and other payables- Current				
Trade	1 077 678	775 912	1 077 678	482 721
Other	297 811	548 656	297 811	341 338
	1 375 489	1 324 568	1 375 489	824 059
25 Income tax liability				
Balance at 1 January	10 055	16 162	10 055	10 055
Movement	(5 907)	-	(5 907)	-
Balance at 31 December	4 148	16 162	4 148	10 055
26 Provisions				
Provision for rehabilitation (note 26.1)	212 662	292 332	212 662	181 870
Other provisions (note 26.2)	590 909	204 310	590 909	127 108
	803 571	496 642	803 571	308 978
26.1 Provision for rehabilitation				
At 1 January	181 870	21 007	181 870	13 070
Charged to profit or loss:				
Additional provisions made during the year	30 792	271 325	30 792	168 800
At 31 December	212 662	292 332	212 662	181 870

The Company has an obligation to undertake rehabilitation and restoration when environmental disturbance is caused by the ongoing mining activities. The provision for rehabilitation costs recognised in these financial statements relates to previously mined areas.

The rehabilitation provision included in the financial statements is an estimate of the cost that will be incurred for the rehabilitation and restoration of the environment. The Directors are aware of the Company's responsibility for the rehabilitation and restoration of the environment and have come up with an estimate of the costs that would be incurred to rehabilitate and restore the mined areas.

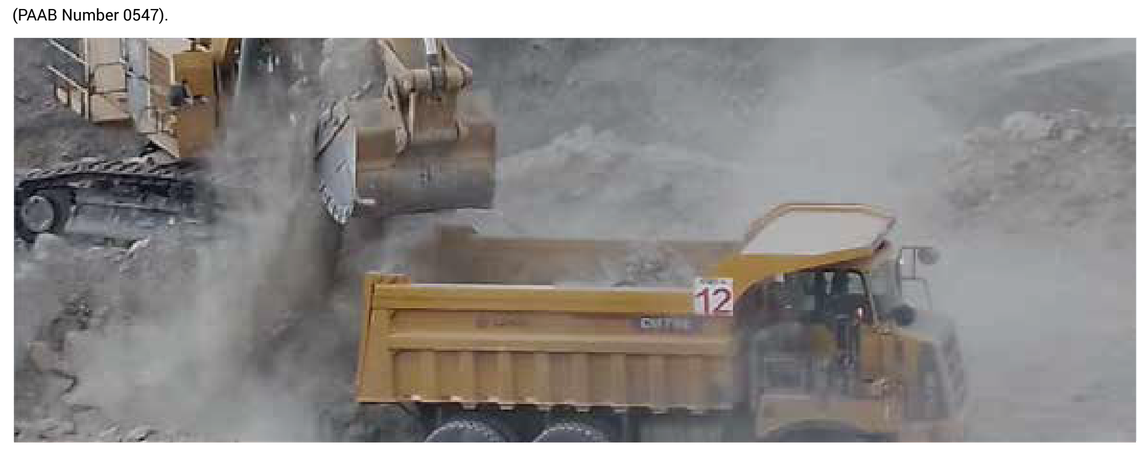
26.2 Other provisions				
Death benefits	44 353	24 470	44 353	15 224
NRZ provision	261 301	-	261 301	-
Leave pay and bonus provisions	285 255	179 840	285 255	111 884
	590 909	204 310	590 909	127 108
27 Deferred tax liability				
Balance at 1 January	4 173 220	4 805 783	2 211 454	509 754
Movement through other comprehensive income	-	76 542	-	2 142 857
Movement through profit/loss	(103 395)	(709 105)	(80 125)	(441 157)
Balance at 31 December	4 069 825	4 173 220	2 131 329	2 211 454

Auditors Statement

These summary financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2021, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe), in accordance with International Standards on Auditing.

The auditors have issued an adverse audit opinion on the inflation adjusted 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 Hyper-inflationary Economies, going concern, financial results of equity accounted investments and inventory for some of the divisions in the Company.
The Auditors have included a section on key audit matters. The key audit matters were with respect to the allowances for credit losses and , valuation of inventory and revenue recognition. The auditor's report on the inflation adjusted financial statements which form the basis of these financial results is available for inspection at the Company's registered office.

The Engagement Partner on the audit resulting in this auditor's report is Farai Chibisa
(PAAB Number 0547).



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INDEPENDENT AUDITOR'S REPORT

To the members of Hwange Colliery Company Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the inflation adjusted financial statements of Hwange Colliery Company Limited as set out on pages 13 to 50, which comprise the inflation adjusted statement of financial position as at 31 December 2021, the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the inflation adjusted financial statements do not present fairly, in all material respects, the inflation adjusted financial position of Hwange Colliery Company Limited as at 31 December 2021, and its inflation adjusted financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Other Business Entities Act (Chapter 24.31).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard 21 -The Effects of Changes in Foreign Exchange Rates

During the prior and current financial years, the foreign currency denominated transactions and balances of the Company were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2021.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

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

The Directors have applied the IAS 29 - Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019 to 31 December 2021. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements.

Limitation of scope

Included in the Company's inventory are amounts attributable to the medical services and estates divisions, which account for 2% and 10% of the inventory of the Company, respectively. There were inadequacies noted in relation to the record keeping and controls over inventory for the medical services and estates divisions. As a result, there were no satisfactory auditing procedures that we could perform to obtain reasonable assurance that inventories for the medical services and estates divisions were properly recorded. Accordingly, we were unable to determine whether any adjustments to the inventory amounts for medical services and estates divisions were necessary.

Financial results of equity accounted investments included in the financial statements not audited

As described in **note 16** to these financial statements, the financial information for the Company's investments in the joint venture arrangement with Hwange Coal Gasification Company (Private) Limited was not availed for our review. In addition, the financial information for Zimchem Refiners (Private) Limited and Clay Products Limited was unaudited. Accordingly, we were unable to determine whether any adjustments might be necessary to the share of profit from equity accounted investments, and the effect this might have on the financial statements.

Valuation of property, plant and equipment

The determination of fair values for property, plant and equipment presented in the financial statements is affected by the prevailing economic environment. These financial statements include property, plant and equipment that was revalued by independent professional valuers as at 31 December 2020. The property, plant and equipment valuations were determined in USD and then translated to ZWL at the interbank foreign exchange rate as at 31 December 2020.

Although the determined USD values as at 31 December 2020 reflected the fair value of the property, plant and equipment in USD as at that date, the converted ZWL fair values were not in compliance with IFRS 13 as they did not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment in ZWL. No subsequent revaluations were done in the financial statements.

Going concern

In 2017, the Company entered into a Scheme of Arrangement with creditors (including foreign creditors) in-terms of which the amounts owed to creditors were converted into long term debt in the form of debentures, redeemable on or before end of December 2027.

Subsequent to this and as described in **note 31** to these financial statements, Hwange Colliery Company Limited was placed under reconstruction in terms section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27) in October 2018. This was done to allow for rescue of the Company from the financial difficulties it was facing, which at the time had resulted in the total liabilities of the Company exceeding its total assets. The Company's ability to honour its obligations in terms of the Scheme of Arrangement is dependent on the extent to which the Company would be able to successfully implement turnaround initiatives which would enable it to generate sufficient cash flows.

As more fully disclosed in **note 31** to these financial statements the Company's Administrator has amongst other turnaround initiatives:

- Continued with the implementation scheme of arrangement entered into with creditors.

- Entered into an equipment mobilisation agreement for the Underground Mine, that is expected to result in the Company getting new underground mining equipment.
- Developed a plan to fully capacitate the open cast mine through procurement of front-end loaders, increasing the haulage capacity as well as the capacity of the washing plant.
- Implemented tight cost control and working capital management measures.
- Engaged a contractor to resuscitate the Beehive Coke Ovens to produce foundry coke for the export market and is implementing measures to increase thermal and industrial coal production through contractors.

The ability of the Company to continue operating as a going concern is dependent on the success of the turnaround initiatives being pursued by the Company's Administrator.

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 Financial Statements section of our report. We are independent of the Company 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
Valuation of inventory for coal and coal related products The inventory of the Company includes coal and coal related products and most of the costs of production are fixed costs. The Company is currently operating at below full capacity and there is a risk that the unit cost of production exceeds the net realisable value of the coal and coal related products upon sale to customers. The Company sells coal fines to cement and brick manufactures and has included in its inventories, coal fines valued at **ZWL 85 300 000** as at 31 December 2021. Coal fines are a by-product from crushing and processing of coal various sizes of coal products. The valuation of coal and coal related products has been considered a key audit matter.	• Our audit procedures included attendance at year-end physical inventory counts to observe how management and the experts/surveyors involved quantified the inventory. • We considered the competence of the surveyors as evidenced by certification, license or recognition by the appropriate professional board. • We reviewed the results of their reports, and sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities. • We reviewed the methods and assumptions used by the experts. • We reviewed the most recent prices at which coal and coal related products had been sold to customers and verified whether the inventory was carried at the lower of cost and net realisable value. • Reviewed the financial statements to ascertain whether the inventory for coal and coal related products had been correctly classified as either current or non-current assets. • Inspected the financial statements to ascertain whether management had made appropriate disclosures with regards to coal and coal related products. • We are satisfied that coal and coal related products, including coal fines, have been properly classified and accounted for in the financial statements.

Revenue recognition	
There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240: Revised). There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Company. This is a significant risk and accordingly a key audit matter.	• Our audit procedures incorporated a combination of tests of the Company'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.

IFRS 9 Expected credit risk allowance	
The Company has Expected Credit Loss (ECL) allowance amounting to **ZWL110 706 276.6** (Refer to **note 20** to the financial statements). This was considered area of focus as IFRS 9 is a complex accounting standard which requires management to exercise significant judgement using subjective assumptions when determining both timing and amounts of the impairment provision for trade receivables. Key areas of judgement included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation); and The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	• management's allowance for credit losses, which included the following: • We performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9; • We assessed and tested the material modelling assumptions with a focus on the: • Key modelling assumptions adopted by the Company; and • Reliability of the historical data collected. • We examined a sample of exposures and performed procedures to evaluate the: i. Timely identification of exposures with a significant deterioration in credit quality; and ii. Expected loss calculation for exposures assessed on an individual basis. • We assessed the accuracy of the disclosures in the financial statements. Based on our audit work performed, the assumptions used by management and the rates calculated were appropriate and reflected the current environment.

Other information

The Administrator is responsible for the other information. The other information comprises the Administrator's' 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company 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 period 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

17 MAY 2022

HARARE