ZIMPLOW

ENGINEERING PERFORMANCE

Abridged Audited Group Results for the Year Ended 31 December 2021

The Directors report the following abridged audited results in respect of the Group and Company's operations for the year ended 31 December 2021.

FARMEC | MEALIEBRAND | C.T. BOLTS | Barzem CAT | Trentyre | SCANIA | POWERMEC

Chairman's Statement

Dear Stakeholders

Zimplow has continued to transform, making positive steps to build for the future and at the same time delivering pleasing financial performance. The strategic actions taken by the Board and Management have begun to bring the desired results in terms of positioning the Group for growth ensuring Zimplow becomes the largest capital equipment solutions provider within Zimbabwe and beyond our borders. The completion of the acquisition of Scanlink and Trentyre, together with the supporting back-up infrastructure during the year 2021 is yet another significant milestone towards bringing value both to our shareholders and customers.

As a result of the various threats and opportunities currently obtaining in the market, the Board is constantly evaluating options available for the Group to sustainably deliver tailor-made value to both internal and external stakeholders.

Zimplow delivered a strong and encouraging financial performance by growing revenue by 54% for the financial year ended 31 December 2021 in comparison to the prior year performance in inflation adjusted terms. In addition, the operating profit for the year under review grew by 222% in comparison to the prior year performance. This encouraging financial performance was achieved by volumes growth from all the group's business units, with Farmec and Barzem posting record performances.

Trading Environment

The trading environment has continued to pose both opportunities and threats. The year 2021 saw major supply chain distortions to our recently acquired businesses, that is, Trentyre and Scanlink. The supply chain distortions were caused by Covid-19 induced movement restrictions, which in turn affected supply of freight services. In addition, the Group faced challenges in the timely remittance of payments to foreign suppliers. We are however quite pleased with the manner in which the Group responded to the various challenges from the trading environment.

The year commenced on a positive trajectory. However, lower than expected rainfall patterns during the 2021 rainy season adversely affected the agriculture-based value chain. This circumstance was further exacerbated by acute foreign currency challenges, heightened inflation risk, causing exponential increases in operating costs. The above stated challenges resulted in the Group placing considerable focus on balance sheet preservation as well as constant engagement of internal and external stakeholders. Tactically, the Group has continued to prioritise its engagements with suppliers and Original Equipment Manufacturers (OEMs). The Group continues to take positions on strengthening working capital elements in order to drive growth and market positioning.

The Group has made considerable progress in various facets of the business inter alia human capital development, face lifts of branches of Group entities, improvements in general back up infrastructure and factory capacitation. Strategically, the Group is realigning itself, in order to take advantage of the Group synergies and delivery of a wide range of services entrenching the Group's ambition as a one-stop shop for its customers. To sustain this ambition, the Group has restructured its operating model. The new operating structure will give rise to a new operating model focusing on market segments and/or clusters that we operate in namely, the Agriculture, Mining & Infrastructure and Logistics and Automotive clusters.

Operations

The Group has continued to place emphasis on business performance with a particular focus on increasing business volumes, enhancing operating profit, net asset value (NAV) growth in real terms as well as effective cash flow management. In line with the Group's restructuring initiative, the operational performance of the Group shall be reported on a Cluster approach.

Agriculture Cluster

Farmec

Farmec posted an impressive performance growing volumes across all its main product lines. Farmec grew volumes for tractors by 48%, tractor drawn implements by 56%, parts sales by 30% and service hours by 22% in comparison with prior year. This resulted in overall revenue growth of 48% and a growth in the Company's operating profit by 69%, in real terms against prior year performance.

The business unit is steadily growing towards being the leading distributor of agricultural equipment in Zimbabwe. The focus is now on achieving convenience for our customers from an aftersales perspective through a highly engaged back up support team.

Mealie Brand

Mealie Brand recorded a growth in volumes in local implements sales of 10% against prior year performance. There was significant growth in sales of hoes of 138% against prior year, mainly driven by improved capacity at the factory. The lower-than-expected rainfall pattern during the rainy season had an adverse impact on land preparations resulting in a slowdown of demand in local spares by 22% against prior year performance. On the positive, the board is pleased with the growth in export implements and spares volumes of 44% and 75% respectively.

Overall implement sales volumes grew by 21% and spares by 3% against prior year, anchored by export performance in the year under review. Mealie Brand therefore grew its revenue by 34% and operating profit by 21% in real terms against prior year performance.

Operationally, the business unit continues to put effort towards improving factory efficiencies in resource allocation and replacement of key capital equipment. The board remains committed to providing products that meet the evolving needs of its customers through investment towards research and product development. In addition, management have sought to align the distribution network in order to deliver convenience to our customers.

Logistics and Automotive Cluster

Scanlink

The business unit recorded a strong performance despite numerous headwinds attributable to Covid-19 induced supply chain disruptions which negatively impacted the operations of Scanlink. Parts sales grew by 30% driven by strong demand after the realignment of our supply chain model, which made our business extremely competitive and convenient to our customers. Hours also grew by 4% against prior year. As a result of the positive execution of the renewed supply chain model, Scanlink increased its revenues up by 15% and operating profit by 145% in real terms against prior year.

The outlook for the financial year 2022 looks brighter and the business unit is looking to follow through on the considerable backlog in truck and bus orders from the previous year.

Trentyre

The business unit recovered from a challenging first half of 2021 closing the year positively after a staffing and supply chain reorganisation. The volumes of Passenger Car Radial (PCR) tyres grew by 28% against the prior year. This growth in volumes was driven by improved distribution channels and stock availability. Improvements in stock availability also propelled growth in volumes for Truck, Bus and Radial (TBR) tyres by 23% against the prior year. The goodwill and trust in the quality of the Trentyre's Off the Road (OTR) tyres in major mines sustained the performance of the range, as evidenced by a 116% growth against prior year. Resultantly, Trentyre grew its revenue by 15% and operating profit by 193% in real terms compared to prior year, capping what has been the genesis of positive financial performances for Trentyre.

Management continues to place emphasis on the re-organisation of the supply chain and team balance. As a premier supplier of tyre and tyre management solutions, we have been working hard to provide the quality and standard expected of us by our customers.

Mining and Infrastructure Cluster

CT Bolts

CT Bolts has been making steady progress in asserting its dominance in the fasteners industry. The business unit achieved volumes growth of 48% against prior year performance. This was driven by the drive towards establishing new market segments such as prepacked fasteners for the retail market, specialised mining bolts and various other consumables. Management at CT Bolts continues to focus on business growth and supply chain agility in order to bring convenience and significant value to the Company's customers.

Powermec

2021 was a relatively stable year from a power supply perspective on the main grid, hence the reduced demand for alternative power products. Generator units sold remained subdued with a 16% drop from the prior year. However, the performance of Powermec's new Solar product range was encouraging as the business unit achieved a 167% growth against prior year. The strong after sales performance grew parts sales by 72% and service hours by 22% against prior year, driving both revenue and operating profit up by 30% and 7% respectively in real terms, compared to prior year performance.

The performance of the solar energy range of products continues to gather momentum and we look forward to a strong performance in financial year 2022.

Barzem

The drive by the government to support infrastructure development through the Emergency Road Rehabilitation Programme (ERRP) culminated in increased earth moving equipment sales at Barzem. Overall, volumes of earth moving equipment sales grew by 84% against prior year performance. On the other hand, the focus on production by major mining houses who use CAT surface mining and handling equipment resulted in increased fleet maintenance. Consequently, parts sales grew by 75% and hours sold by 65% against prior year performance. Revenue therefore grew by 102% whilst operating profit was 109% ahead of prior year performance.

The challenges in foreign currency remittance experienced in the fourth quarter of 2021 slowed down business volumes. Management therefore adopted balance sheet preservation tactics. In addition, robust engagements with financial institutions have however continued to help in unlocking this foreign currency bottleneck.

Barzem will exit the Caterpillar distributorship on 30 September 2022 given the changes in the strategic direction by both the supplier and Zimplow Group. Whilst this exit is expected to have an impact on the Group's revenue performance initially, we believe that the risk management protocols that have been put in place by the board and management will ensure that the group preserves value and shareholder returns. Given these risk management protocols, the board and management believe the group is in a strong position to deliver its corporate strategy in the Mining & Infrastructure segment.

Dividend Declaration

As a result of the positive performance recorded by the Group, the board declared a final dividend of ZWL 35.40 cents per share for the year ended 31 December 2021. This dividend together with the interim payment brings our total dividend pay-out ratio to 26%. A separate announcement will be made with respect to the dividend payment.

Outlook

The Group continues to strengthen its capability and capacity to respond to changes in the operating environment and undertaking stakeholder management in a holistic and robust manner with respect to suppliers and customers in order to deliver superior value to our Shareholders. Based on the performance as outlined above, the Board is confident that the Group has adequate risk management systems and a viable business strategy to withstand the fluidity and complexities of the country's operating environment.

In addition, the COVID-19 pandemic is still lingering over the operating environment and as such the Group will continue to implement the public health protocols as prescribed by COVID-19 National legislation and the World Health Organisation (WHO).

One of the key strategic matters the Group is currently seized with is the search for a new OEM of earthmoving equipment to replace the Caterpillar brand at the end of the Distributorship Agreement on 30 September 2022. In line with the Group's corporate strategy, the Board will focus on balance sheet preservation and growth of the new product line yet to be introduced, in order to deliver expected shareholder returns.

The Group is confident that the capacity built over the years in terms of goodwill and trust in Zimplow's back up infrastructure, human capital skills and experience in the provision of earth moving equipment, will be vital in resetting the Mining & Infrastructure Cluster to perform in line with the Group's vision.

Acknowledgment

I would like to thank fellow Directors, Management, and Staff for delivering such a pleasing financial performance and set of results despite the complexities obtaining in our current operating environment.

GT Manhambara
Chairman

31 May 2022

Auditor's Statement

These abridged consolidated financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe) and a qualified audit opinion was issued thereon due to non-compliance with International Financial Reporting Standards (IFRS): International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates, and IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors.

The auditor's report is available for inspection at the Group's registered office. The engagement partner for the audit is Walter Mupanguri (PAAB Practicing Number 367).

Consolidated Group and Company Statement of Financial Position as at 31 December 2021

	Group Inflation adjusted		Company Inflation adjusted	
	31-Dec-21 ZWL$	31-Dec-20 ZWL$	31-Dec-21 ZWL$	31-Dec-20 ZWL$
ASSETS				
Non-current Assets				
Property, plant and equipment	1,830,472,156	1,881,095,605	586,907,368	682,291,850
Intangible assets	3,014,768	3,539,071	3,014,768	3,539,071
Investment property	140,816,504	35,493,985	162,830,000	-
Investment in subsidiaries	-	-	1,492,452,128	463,317,758
Right of use assets	-	-	4,858,891	14,576,673
Long term receivables	205,720,550	79,571,089	178,554,050	46,427,885
Goodwill	800,556,829	37,385,975	-	-
Total non-current assets	**2,980,580,807**	**2,037,085,725**	**2,428,617,205**	**1,210,153,237**
Current Assets				
Inventories	2,409,950,714	1,309,716,834	1,188,349,861	848,438,474
Inter company receivables	-	-	38,233,284	-
Trade and other receivables	748,970,504	314,400,232	131,387,704	102,091,810
Prepayments	493,523,680	538,332,678	327,571,670	512,965,955
Investment in financial assets	79,913	242,613	79,913	242,613
Cash and bank balances	1,420,375,670	249,057,044	309,129,451	126,579,420
Total current assets	**5,072,900,481**	**2,411,749,401**	**1,994,751,883**	**1,590,318,272**
Total assets	**8,053,481,288**	**4,448,835,126**	**4,423,369,088**	**2,800,471,509**
EQUITY AND LIABILITIES				
Equity				
Issued share capital	3,910,992	3,854,272	3,910,992	3,854,272
Share premium	2,197,157,374	797,968,307	2,197,157,374	797,968,307
Revaluation reserve	443,588,479	822,388,197	236,322,309	297,924,396
Capital reserve	(7,860,006)	(7,860,006)	(7,860,006)	(7,860,006)
Change in ownership reserve	(36,549,618)	(36,549,618)	-	-
Accumulated profit	1,278,422,688	1,087,588,869	903,982,542	946,962,768
Attributable to holders of the parent	**3,878,669,909**	**2,667,390,021**	**3,333,513,211**	**2,038,849,737**
Non-controlling interests	608,641,255	475,872,570	-	-
Total Equity	**4,487,311,164**	**3,143,262,591**	**3,333,513,211**	**2,038,849,737**
Non-current liabilities				
Inter company payables	-	-	-	9,549,684
Deferred tax liabilities	675,785,880	570,912,249	292,765,871	293,204,873
Total non-current liabilities	**675,785,880**	**570,912,249**	**292,765,871**	**302,754,557**
Current liabilities				
Trade and other payables	1,953,850,649	391,191,326	140,800,628	142,931,065
Provisions	21,854,308	25,494,364	9,632,818	8,981,915
Short term borrowings	154,148,168	9,203,994	86,195,930	9,203,994
Customer deposits	472,643,466	132,256,299	337,257,456	116,374,038
Lease liabilities	-	-	1,517,460	5,535,117
Current tax liabilities	287,887,653	176,514,303	221,685,714	175,841,086
Total current liabilities	**2,890,384,244**	**734,660,286**	**797,090,006**	**458,867,215**
Total equity and liabilities	**8,053,481,288**	**4,448,835,126**	**4,423,369,088**	**2,800,471,509**

Consolidated Group and Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

		Group Inflation adjusted		Company Inflation adjusted	
	Notes	31-Dec-21 ZWL$	31-Dec-20 ZWL$	31-Dec-21 ZWL$	31-Dec-20 ZWL$
Sale of goods		6,299,302,427	4,081,188,301	3,294,995,863	2,551,468,781
Rendering of services		310,993,975	169,850,729	158,838,226	107,026,530
Investment property rental income		9,478,168	9,423,672	7,704,349	-
Revenue		**6,619,774,570**	**4,260,462,702**	**3,461,538,438**	**2,658,495,311**
Cost of sales		(4,162,818,103)	(2,950,348,866)	(2,222,649,017)	(1,698,473,038)
Gross Profit		**2,456,956,467**	**1,310,113,836**	**1,238,889,421**	**960,022,273**
Other operating income		150,759,429	92,101,232	43,565,579	50,896,431
Selling and distribution expenses		(90,877,335)	(50,726,932)	(62,118,124)	(39,817,765)
Administrative expenses		(1,141,843,672)	(833,449,080)	(630,532,590)	(462,303,447)
Other operating expenses		(419,916,406)	(75,343,898)	(345,119,598)	(68,584,344)
Allowance for expected credit losses		(9,647,694)	(1,074,073)	(7,341,229)	(1,394,831)
Monetary gain/(loss)		25,333,803	75,834,470	25,062,495	(130,031,830)
Operating profit		**970,764,592**	**517,455,555**	**262,405,954**	**308,786,487**
Finance costs		(11,633,700)	(6,880,230)	(8,690,861)	(12,005,521)
Finance income		1,160,522	208,523	826,973	163,335
Profit before tax		**960,291,414**	**510,783,848**	**254,542,066**	**296,944,301**
Income tax expense		(525,740,303)	(165,756,800)	(221,716,154)	(212,025,932)
Profit for the year		**434,551,111**	**345,027,048**	**32,825,912**	**84,918,369**
Other comprehensive income					
Other comprehensive income that may be recycled through profit or loss					
Exchange difference on translation of foreign operations		-	(1,219,683)	-	(1,219,683)
Other comprehensive income that will not be reclassified to profit or loss					
Revaluation of Plant, land and buildings net of tax		(413,942,188)	148,388,850	(61,602,088)	78,252,902
Total other comprehensive income for the year, net of tax		**(413,942,188)**	**147,169,167**	**(61,602,088)**	**77,033,219**
Total comprehensive income for the year		**20,608,923**	**492,196,215**	**(28,776,176)**	**161,951,588**
Profit for the year attributed to:					
Owners of the parent		266,639,956	283,758,961	32,825,912	84,918,369
Non-controlling interests		167,911,155	61,268,087	-	-
		434,551,111	**345,027,048**	**32,825,912**	**84,918,369**
Total comprehensive profit for the year attributable to:					
Owners of the parent		(112,159,762)	436,919,622	(28,776,176)	161,951,588
Non-controlling interests		132,768,685	55,276,593	-	-
		20,608,923	**492,196,215**	**(28,776,176)**	**161,951,588**
Earnings per share					
Basic earnings per share		0.77	1.19	0.10	0.36
Diluted earnings per share		0.77	1.19	0.10	0.36
Headline earnings per share		0.78	1.19	0.11	0.35
Diluted Headline earnings per share		0.78	1.19	0.11	0.35

ZIMPLOW

ENGINEERING PERFORMANCE

Abridged Audited Group Results for the Year Ended 31 December 2021

The Directors report the following abridged audited results in respect of the Group and Company's operations for the year ended 31 December 2021.

Consolidated Group and Company Statement of Cash Flows
for the year ended 31 December 2021

	Group Inflation adjusted		Company Inflation adjusted	
	31-Dec-21 ZWL$	31-Dec-20 ZWL$	31-Dec-21 ZWL$	31-Dec-20 ZWL$
Cash flows from operating activities				
Operating profit before tax	960,291,414	510,783,848	254,542,066	296,944,301
Adjusted to reconcile profit before tax to net cash flows:				
Depreciation of property plant and equipment and amortisation of intangible assets	120,121,654	29,338,413	102,392,799	31,854,796
Net fair value adjustments	-	(7,769,969)	-	-
Net unrealised foreign exchange differences	(96,500,546)	(19,889,604)	10,693,305	(15,148,296)
Interest received	(1,160,522)	(208,523)	(826,973)	(163,335)
Interest paid	11,633,700	6,880,230	8,690,861	12,005,521
Movement in provisions	(3,640,056)	14,209,501	650,903	(1,626,607)
Loss/ (Profit) on disposal of property, plant & equipment	4,711,504	(428,527)	4,691,089	(428,527)
	995,457,148	**532,915,369**	**380,834,050**	**323,437,853**
Working capital changes				
(Increase)/Decrease in Inventories	(1,100,233,880)	(180,516,599)	(339,911,387)	57,680,962
(Increase) in trade and other receivables	(434,570,272)	(149,753,464)	(29,295,894)	(45,370,789)
Decrease/(Increase) in prepayments	44,808,998	(102,485,596)	185,394,285	(190,909,840)
Increase/(Decrease) in customer deposits	340,387,166	(61,595,104)	220,883,418	(6,233,156)
(Decrease) in intergroup balances	-	-	(9,549,684)	(26,239,580)
Increase/(Decrease) in trade and other payables	1,562,659,323	219,425,789	(2,130,437)	130,962,887
	1,408,508,484	**257,990,395**	**406,224,351**	**243,328,337**
Interest received	1,160,522	208,523	826,973	163,335
Interest paid	(11,633,700)	(6,880,230)	(8,690,861)	(12,005,521)
Income tax paid	(214,309,357)	(107,846,308)	(100,161,635)	(53,807,698)
Dividend paid	(75,806,137)	(14,483,695)	(75,806,137)	(14,483,695)
Net cash flow from operating activities	**1,107,919,811**	**128,988,685**	**222,392,690**	**163,194,758**
Investing activities				
Acquisition of subsidiaries-cash acquired	63,645,703			
Proceeds from sale of property, plant and equipment	630,122	924,679	630,122	924,679
Purchase of property, plant and equipment	(151,802,126)	(51,447,592)	(80,083,580)	(46,110,384)
Proceeds from sale of financial assets	71,025	-	71,025	-
Purchase of financial assets	-	(42,666)	-	(42,666)
Net cash flows from used in investing activities	**(87,455,276)**	**(50,565,579)**	**(79,382,433)**	**(45,228,371)**
Financing Activities				
Lease liability principal repaid			(2,455,219)	(3,425,890)
Repayments of borrowings	(28,337,682)	(40,397,663)	(34,925,071)	(40,397,663)
Proceeds from borrowings	189,175,389	84,334,821	121,573,171	84,334,821
Net cash flows from financing activities	**160,837,707**	**43,937,158**	**84,192,881**	**40,511,268**
Net increase in cash and cash Equivalents	**1,181,302,242**	**122,360,264**	**227,203,138**	**158,477,655**
Effects of exchange rate changes on cash and cash equivalents	23,402,361	49,326,022	22,003,000	39,030,211
Effects of IAS29	(33,385,977)	(78,898,195)	(66,656,107)	(214,958,972)
Cash and cash equivalents at 1 January	**249,057,044**	**156,268,953**	**126,579,420**	**144,030,526**
Cash and cash equivalents at 31 December	**1,420,375,670**	**249,057,044**	**309,129,451**	**126,579,420**
Comprising of:				
Cash and cash balances	1,420,375,670	249,057,044	309,129,451	126,579,420

Consolidated Group Statement of Changes in Equity
for the year ended 31 December 2021

Inflation Adjusted	Share Capital ZWL$	Capital Reserve ZWL$	Share Premium ZWL$	Revaluation Reserve ZWL$	Change in Ownership reserve ZWL$	Foreign Currency translation Reserve ZWL$	Retained earnings ZWL$	Attributable to Owners of the parent ZWL$	Non-Controlling Interest ZWL$	Total ZWL$
Balance on 1 Jan 2020 before restatement	3,854,272	(7,860,006)	797,968,307	668,007,830	(36,549,618)	1,219,683	967,541,896	2,394,182,364	433,597,675	2,665,550,071
Restatement impact	-	-	-	-	-	-	(149,228,293)	(149,228,293)	(13,001,675)	-
Restated balance at 01 Jan 2020	3,854,272	(7,860,006)	797,968,307	668,007,830	(36,549,618)	1,219,683	818,313,603	2,244,954,071	420,596,000	2,665,550,071
Dividend Paid	-	-	-	-	-	-	(14,483,695)	(14,483,695)	-	(14,483,695)
Profit for the year	-	-	-	-	-	-	283,758,961	283,758,961	61,268,087	345,027,048
Other comprehensive income/(loss) net of tax	-	-	-	154,380,367	-	(1,219,683)	-	153,160,684	(5,991,517)	147,169,167
Balance at 31 Dec 2020	3,854,272	(7,860,006)	797,968,307	822,388,197	(36,549,618)	-	1,087,588,869	2,667,390,021	475,872,570	3,143,262,591
Share issue	56,720	-	1,399,189,067	-	-	-	-	1,399,245,787	-	1,399,245,787
Dividend Paid	-	-	-	-	-	-	(75,806,137)	(75,806,137)	-	(75,806,137)
Profit for the year	-	-	-	-	-	-	266,639,956	266,639,956	167,911,155	434,551,111
Other comprehensive income net of tax	-	-	-	(378,799,718)	-	-	-	(378,799,718)	(35,142,470)	(413,942,188)
Balance at 31 Dec 2021	3,910,992	(7,860,006)	2,197,157,374	443,588,479	(36,549,618)	-	1,278,422,688	3,878,669,909	608,641,255	4,487,311,164

Company Statement of Changes in Equity
for the year ended 31 December 2021

Inflation Adjusted	Share Capital ZWL$	Capital Reserve ZWL$	Share Premium ZWL$	Revaluation Reserve ZWL$	Foreign Currency translation Reserve ZWL$	Retained earnings ZWL$	Attributable to Owners of the parent ZWL$
Balance on 1 Jan 2020 before restatement	3,854,272	(7,860,006)	797,968,307	219,671,494	1,219,683	1,012,224,008	2,027,077,758
Restatement impact	-	-	-	-	-	135,695,910	135,695,910
Restated balance at 01 January 2020	3,854,272	(7,860,006)	797,968,307	219,671,494	1,219,683	876,528,098	1,891,381,848
Dividend Paid	-	-	-	-	-	(14,483,696)	(14,483,696)
Profit for the year	-	-	-	-	-	84,918,366	84,918,366
Other comprehensive income/ (loss) net of tax	-	-	-	78,252,902	(1,219,683)	-	77,033,219
Balance at 31 Dec 2020	3,854,272	(7,860,006)	797,968,307	297,924,396	-	946,962,768	2,038,849,737
Dividend Paid	-	-	-	-	-	(75,806,137)	(75,806,137)
Share issue	56,720	-	1,399,189,067	-	-		1,399,245,787
Profit for the year	-	-	-	-	-	32,825,912	32,825,912
Other comprehensive income net of tax	-	-	-	(61,602,087)	-	-	(61,602,087)
Balance at 31 Dec 2021	3,910,992	(7,860,006)	2,197,157,374	236,322,309	-	903,982,542	3,333,513,211

Notes to the financial statements

1. Presentation and statement of compliance

Basis of preparation

The Group's financial results have not been prepared under policies as required by the Companies and Other Business Entities Act (24:31). The financial results have been prepared under the current cost convention in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies).

The consolidated inflation adjusted financial statements of the Group have not been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC) as a result of non-compliance with IAS 21 (Effects of Changes in Exchange Rates) on accounting for change in functional currency in prior year and IAS 29 (Financial Reporting in Hyperinflationary Economies) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) for non-correction of the prior year non-compliance with IAS 21. This is because it has been impracticable to fully comply with IFRS in the current and prior year due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with IAS 21 (The Effects of Changes in Foreign Exchange Rates) as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in the accounting treatment adopted in the prior year and current period financial Statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRS. These exceptions have also made full compliance with the Companies and Other Business Entities Act (Chapter 24.31) not possible.

Change in functional currency

In February 2019, the Reserve Bank of Zimbabwe announced a monetary policy statement whose highlights among other issues were:

- Denomination of real time gross settlement (RTGS) balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.
- Promulgated that RTGS dollars were to be used by all entities (including the Government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate would be determined on a willing buyer willing seller basis.

The monetary policy announcement was followed by the publication of Statutory Instrument (S.I.) 33 of 2019 on 22 February 2019. The statutory instrument gave legal effect to the introduction of the RTGS dollar as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US dollar and would become opening RTGS dollar values from the effective date. As a result of the currency changes announced by the monetary authorities, the Directors assessed as required by IAS 21 (The Effects of Changes in Foreign Exchange Rates) and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB) whether use of the United States dollar as the functional and reporting currency remained appropriate. Based on the assessment, the Directors concluded that the Group's transactional and functional currency had changed to the RTGS dollar. The Group adopted the RTGS dollar as the new functional and reporting currency with effect from 22 February 2019 using the interbank midrate of US$1: ZWL$2.5.

Further, on 24 June 2019, Statutory Instrument 142 of 2019 introduced the Zimbabwean Dollar (ZWL$) which was at par with the bond notes and RTGS dollars, that is to say each bond note unit and each RTGS dollar was equivalent to a Zimbabwe Dollar, and each hundredth part of a bond note unit and each hundredth part of a RTGS dollar was equivalent to a Zimbabwean cent. On the 17th of June 2020, an RBZ Exchange Control Directive RV175/2020 was issued on the introduction of a Foreign Exchange Auction System. Foreign exchange auction trading system was operationalised with effect from 23 June 2020, foreign currency trading was conducted through the Foreign Exchange Auction Trading System (Auction) through a bidding system.

On the 24th of July 2020, Statutory Instrument 185 of 2020 the Exchange Control amended the exclusive use of Zimbabwe Dollar for Domestic Transactions by allowing dual pricing and displaying, quoting and offering of prices for domestic goods and services. The SI also permitted any person who provides goods or services in Zimbabwe to display, quote or offer the price for such goods or services in both Zimbabwe dollar and foreign currency at the ruling exchange rate. In this regard, these financial statements are therefore presented in ZWL$ being the currency of the primary economic environment in which the Company operates, and all values are rounded to the nearest ZWL$ except when otherwise indicated.

Application of IAS 29 (Financial Reporting in Hyperinflationary Economies)

In 2019, the high year-on-year inflation amongst other indicators outlined in IAS 29 resulted in a broad market consensus within the accounting and auditing profession that the Zimbabwe economy had met the characteristics of a hyperinflationary economy. The PAAB confirmed this market consensus and issued a pronouncement in October 2019 prescribing application of inflation accounting for reporting periods ended on or after 1 July 2019.

These results have been prepared in accordance with IAS 29 as if the economy had been hyperinflationary from 1 January 2019 being the commencement date of the prior financial year, however given that change in functional currency, 22 February 2019 has been treated as the last revaluation date for non-monetary items. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for the previous period also be restated in terms of the same measuring unit.

Supplementary Information

	Group Inflation Adjusted		Company Inflation Adjusted	
	31-Dec-21 No. of shares	31-Dec-20 No. of shares	31-Dec-21 No. of shares	31-Dec-20 No. of shares
Shares in issue	344,580,486	238,380,780	344,580,486	238,380,780
For the purpose of basic EPS	344,580,486	238,380,780	344,580,486	238,380,780
For the purpose of diluted EPS	344,580,486	238,380,780	344,580,486	238,380,780
	ZWL$	ZWL$	ZWL$	ZWL$
Headline earnings	270,153,406	283,440,780	36,309,046	84,600,187
Profit for the year	266,639,956	283,758,961	32,825,912	84,918,368
Headline earnings per share	0.78	1.19	0.11	0.35
Basic profit per share	0.77	1.19	0.10	0.36
Diluted profit per share	0.77	1.19	0.10	0.36
Depreciation	120,121,654	29,338,413	102,392,799	31,854,796
Taxation:				
Current tax expense	290,439,797	136,272,838	190,249,152	210,793,134
Deferred tax movement	235,300,506	178,403,614	31,467,002	112,457,553

The Company adopted the Zimbabwe consumer price index (CPI) compiled by Zimbabwe National Statistics Agency (ZIMSTAT) as the general price index to restate transactions and balances as appropriate. The indices and conversion factors used to restate these financials are given below:

Dates	Indices	Conversion Factors
31 December 2021	2474.5	1.00
31 December 2020	3977.5	1.61
31 December 2019	551.6	7.21

The procedures applied in the above restatement of transactions and balances are as follows:

Comparative information

Comparative financial information as per IAS 29 was restated using relevant adjusting factor of 4.49 based on the Consumer Price Index (CPI).

Current period information

Monetary assets and liabilities were not restated because they are already stated in terms of the measuring unit current at balance sheet date. Non-monetary assets and liabilities that are not carried at amounts current at statement of financial position and components of shareholders' equity were restated by applying the change in the index from the more recent of the date of the transaction and the date of their most recent revaluation to 31 December 2020.

Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred by applying the monthly index for the year ended 31 December 2020. Depreciation and amortisation amounts are based on the restated amounts. Gains and losses arising from the net monetary position are included in the income statement;

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Hyper Inflation

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL$). Professional judgement was used and appropriate adjustments in preparing financial statements according to IAS 29. The indices used were obtained from the Zimbabwe National Statistics Agency for the period.

Statement of compliance

These consolidated financial statements have been prepared with the aim of complying with International Financial Reporting Standards and presented in ZWL$ (Zimbabwe Dollars, rounded to the dollar), which is the Group's functional and presentation currency. While full compliance with IFRS has been possible in the previous periods, compliance has not been achieved from 2019.

2. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Borrowings

The Group acquired term loan facility of ZWL$189,175,389 secured against buildings valued at ZWL$255,351,000. The average cost of the borrowings was at 40%.

ZIMPLOW
ENGINEERING PERFORMANCE

Abridged Audited Group Results for the Year Ended 31 December 2021

The Directors report the following abridged audited results in respect of the Group and Company's operations for the year ended 31 December 2021.

FARMEC MEALIEBRAND C.T. BOLTS Barzem CAT SCANIA POWERMEC

4. Revenue

An analysis of Group revenue and results for the year:

	Group Inflation adjusted		Company Inflation adjusted	
	31-Dec-21 ZWL$	31-Dec-20 ZWL$	31-Dec-21 ZWL$	31-Dec-20 ZWL$
Sale of goods: Domestic	6,084,386,457	3,918,097,764	3,080,079,893	2,388,378,244
Sale of goods: Export	214,915,970	163,090,537	214,915,970	163,090,537
Sale of services: Domestic	310,993,975	169,850,729	158,838,226	107,026,530
Investment property rental income	9,478,168	9,423,672	7,704,349	-
Total revenue from contracts with customers	6,619,774,570	4,260,462,702	3,461,538,438	2,658,495,311

5 Segment information

Inflation Adjusted	Agriculture ZWL$	Mining and Infrastructure ZWL$	Logistics and Automative ZWL$	Property ZWL$	Other Segments ZWL$	Total Segments ZWL$	Adjustments ZWL$	Consolidated ZWL$
31 December 2021								
Revenue	2,934,643,238	3,021,453,382	668,726,590	9,478,168	7,704,349	6,642,005,727	(22,231,157)	6,619,774,570
Segment operating profit	592,352,859	482,989,170	94,309,497	(169,497,135)	(66,463,180)	933,691,211	37,073,381	970,764,592
Other items								
Finance income	664,286	496,236	-	-	-	1,160,522	-	1,160,522
Finance costs	(6,611,443)	-	(4,501,038)	-	-	(11,112,481)	(521,219)	(11,633,700)
Income taxes	(170,436,597)	(226,233,778)	(56,444,432)	(27,963,395)	(24,381,173)	(505,459,375)	(20,280,928)	(525,740,303)
GROUP PROFIT AFTER TAX	415,969,105	257,251,628	33,364,027	(197,460,530)	(90,844,353)	418,279,877	16,271,234	434,551,111
Segment assets	2,656,226,347	2,772,432,990	1,291,089,814	522,311,000	1,985,497,091	9,227,557,242	(1,174,075,954)	8,053,481,288
Segment liabilities	(960,683,891)	(1,246,786,723)	(845,415,989)	2,561,065	(227,060,985)	(3,277,386,523)	(288,783,601)	(3,566,170,124)
Other segment information								
Depreciation and amortisation	85,027,049	8,533,842	5,556,859	11,116,108	6,188,609	116,422,467	3,699,187	120,121,654
Additions to non-current assets	43,161,162	21,276,915	6,287,612	56,161,312	24,915,125	151,802,126	-	151,802,126
Inventory provision	37,459,370	176,483,581	14,458,964	-	-	228,401,915	-	228,401,915
Impairment loss recognized on receivables	7,341,229	2,306,465	-	-	-	9,647,694	-	9,647,694

Inflation Adjusted	Agriculture ZWL$	Mining and Infrastructure ZWL$	Property ZWL$	Other Segments ZWL$	Total Segments ZWL$	Adjustments ZWL$	Consolidated ZWL$
31 December 2020							
Revenue	2,230,309,786	2,030,665,575	9,423,672	-	4,270,399,033	(9,936,332)	4,260,462,702
Segment operating profit	208,991,632	350,725,932	40,932,202	(25,853,361)	574,796,406	(57,340,851)	517,455,555
Other items							
Finance income	22,357	47,491	-	(493,838)	(423,989)	632,512	208,523
Finance costs	-	(21,002)	-	-	(21,002)	(6,859,228)	(6,880,230)
Income taxes	(279,421,610)	(200,488,038)	19,183,420	(17,779)	(460,744,007)	294,987,207	(165,756,800)
GROUP PROFIT AFTER TAX	(70,407,621)	150,264,383	60,115,622	(26,364,977)	113,607,407	231,419,640	345,027,048
Segment assets	2,182,293,241	1,648,783,392	683,599,322	750,175,681	5,264,851,636	(816,016,509)	4,448,835,126
Segment liabilities	(649,865,013)	(543,498,488)	2,785,210	(111,167,433)	(1,301,745,723)	(3,826,813)	(1,305,572,536)
Other segment information							
Depreciation	17,481,157	(1,271,880)	10,568,005	2,561,130	29,338,413	-	29,338,413
Additions to non-current assets	21,581,485	18,139,283	-	11,726,824	51,447,592	-	51,447,592
Impairment loss recognized on receivables	37,170,801	1,482,013	-	-	38,652,814	-	38,652,814

6 Reassessment of Deferred tax accounting under IAS29

The Group reassessed and corrected its treatment of deferred tax relating to prepayment, inventory and customer deposit balances under IAS12, "Income Tax", in the context of IAS29," Financial Reporting in Hyper-Inflationary Economies". Under IAS12 the historical carrying amounts of these balances is equal to the tax base resulting in nil deferred tax recognition. However, after restating the numbers according to IAS29 a temporary difference arises between the hyper-inflated balances and the respective tax bases, giving rise to deferred tax

The corrected approach will also be used in subsequent periods.

	Before restatement Inflation adjusted	Restatement Impact	After restatement Inflation adjusted
GROUP			
Statement of Profit or Loss - Year ended 31 December			
Profit before tax	**510,783,848**	**-**	**510,783,848**
Income tax expense	(140,058,149)	(25,698,651)	(165,756,800)
Profit for the year	**735,680,659**	**(25,698,651)**	**709,982,008**
Statement of Financial Position as at 31 December			
Accumulated profit	1,241,021,520	(153,432,651)	1,087,588,869
Attributable to holders of the parent	1,241,021,520	(153,432,651)	1,087,588,869
Non-controlling interests	510,368,552	(34,495,982)	475,872,570
Non-current liabilities			
Deferred tax liabilities	382,983,616	187,928,633	570,912,249
Total non-current liabilities	**382,983,616**	**187,928,633**	**570,912,249**
COMPANY			
Statement of Profit or Loss - Year ended 31 December			
Profit before tax	**296,944,301**	**-**	**296,944,301**
Income tax expense	(230,192,948)	18,167,016	(212,025,932)
Profit for the year	**66,751,353**	**18,167,016**	**84,918,369**
Statement of Financial Position as at 31 December			
Accumulated profit	1,064,490,112	(117,527,344)	946,962,768
Attributable to holders of the parent	1,064,490,112	(117,527,344)	946,962,768
Non-current liabilities			-
Deferred tax liabilities	175,677,529	117,527,344	293,204,873
Total non-current liabilities	**175,677,529**	**117,527,344**	**293,204,873**

7 Events after the reporting period

On 30 March 2022, Barloworld Equipment UK the distributors of the Caterpillar (CAT) franchise globally issued a notice to Barzem Enterprises (Private) Limited, (51% owned by Zimplow), local distributor of the Caterpillar brand, to terminate the distribution agreement entered into between Barloworld itself and Barzem Enterprises. The notice received dictates that the distribution agreement will terminate on 30 September 2022 in terms of the Distributors Agreement. Engagements are currently underway with suppliers including BWE UK for the continuation of distribution of earth moving and related equipment with brands currently operating in Zimbabwe, in the similar industry.

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Independent Auditor's Report

To the Shareholders of Zimplow Holdings Limited

Report on the Audit of the Inflation adjusted Consolidated and Separate Financial Statements

Qualified Opinion

We have audited the inflation adjusted consolidated and separate financial statements of Zimplow Holdings Limited and its subsidiaries (the Group) and company set out on pages 38 to 91, which comprise the inflation adjusted consolidated and separate Statements of Financial position as at 31 December 2021, and the inflation adjusted consolidated and separate Statements of Profit or Loss and other Comprehensive income, the inflation adjusted consolidated and separate Statements of Changes in Equity and the inflation adjusted consolidated and separate Statements of Cash flows for the year then ended, and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects the inflation adjusted consolidated and separate financial position of the group and company as at 31 December 2021, and their inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Qualified Opinion

Non-compliance with International Financial Reporting Standards (IAS) 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors

Impact of prior year modification on current period

Date of Change of Functional Currency

Historical date of change in functional currency
As explained in note **2.1** to the consolidated and separate inflation adjusted financial statements, the Group and Company changed their functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We however believe that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. Our prior year audit report for the year ended 31 December 2020 was modified due to impact of this matter on Property Plant and Equipment on the consolidated and separate inflation adjusted Statement of Financial Position which still comprised of material amounts from opening balances, as well as movements on the consolidated and separate inflation adjusted statements of profit or loss, cashflows and changes in equity.

This matter has not been corrected through a restatement in terms of IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors. Our opinion on the current period's consolidated inflation adjusted financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Exchange rates used in prior year

Further contributing to the adverse opinion was the use of inappropriate exchange rates which did not meet IAS 21 requirements for a spot rate for the period 22 February 2019 to 22 June 2020. The interbank exchange rate was used to translate foreign denominated transactions and balances to ZWL functional currency; however, the rate was not available for immediate delivery therefore not a spot rate in terms of IFRS. The misstatements could however not be quantified as an appropriate exchange rate had not been identified.

Management has not made retrospective adjustments in terms of IAS 8 to correct this matter. The matter continues to impact the following amounts on the consolidated and separate inflation adjusted statement of financial position which still comprise material amounts from opening balances: Retained Earnings stated at Group ZWL1 278 422 688 (2020: ZWL1 087 588 869) Company ZWL903 982 542 (2020: ZWL946 962 768), Non-Controlling Interest Group ZWL608 641 255 (2020: ZWL475 872 570)

As opening balances enter into the determination of financial performance, our audit report is modified in respect of the impact of these matters on Cost of Sales stated at Group ZWL4 162 818 103 (2020: ZWL2 950 348 866) Company ZWL2 222 649 017 (2020: ZWL1 698 473 038) and Tax Expense stated at Group ZWL525 740 303 (2020: ZWL165 756 800) Company ZWL221 716 154 (2020: 212 025 932) in the consolidated and separate inflation adjusted Statement of Profit or Loss. Consequently, the consolidated and separate inflation adjusted Statement of Changes in equity and consolidated and separate inflation adjusted Statement of Cashflows may also require amendments.

Further, corresponding numbers relating to Revaluation Reserve on the consolidated inflation adjusted statement of Profit or Loss remains misstated. Corresponding numbers relating to Inventories, Prepayments, Property, Plant and Equipment and Deferred Tax Liability on the consolidated and company inflation adjusted Statement of Financial Position remain misstated. Our opinion on the current period's consolidated and separate inflation adjusted financial statements is therefore also modified because of the possible effects of the above matter on the comparability of the specified current period's figures and the corresponding figures.

Valuation of Property and Manufacturing Plant and Equipment (Group and Company) (Non-compliance with IFRS 13 – Fair Value Measurement and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors)

The Group's Investment Properties and Freehold Land and Buildings are carried at Group ZWL140 816 504 (2020: ZWL35 493 985) Company ZWL162 830 000 and Group ZWL 1 830 472 156 (2020: ZWL 1 881 095 605) Company ZWL586 907 368 (2020: ZWL682 291 850) respectively as at 31 December 2021 as described in Note 10. The implicit investment method was applied for Industrial and commercial properties and key inputs into the calculations include rentals per square metre and capitalisation rates. Residential properties and vacant stands were valued in terms of the market comparable approach. In both cases, the valuation was performed based on USD denominated inputs and converted to ZWL as the presentation currency using a rental yield as determined by management as described on Note 13.

We have concerns over the appropriateness of using a foreign currency for the valuation inputs and then applying a conversion rate to a US$ valuation to calculate ZWL Property and Manufacturing Plant and Equipment values as in our opinion this may not be an accurate reflection of the current dynamics where there is a disparity between exchange rates.

With respect to the implicit investment approach, the US$ estimated rentals may not be an appropriate proxy for the ZWL amounts in which rentals are settled. While historical US$ amounts based on similar transactions have been used as a starting point in determining comparable values on the market comparable approach, it is noted that market participants take into account different risk factors in determining an appropriate value in ZWL terms which are not necessarily limited to the exchange rate.

Consequently, property and manufacturing plant and equipment may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts. Our prior year audit report was also modified due to this matter, no restatements have been made in terms of IAS 8.

Consequential impact on IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with *IAS 21 / IAS 8* as described above. Had the correct base numbers been used, the above stated accounts would have been materially different except for Investment Property and Property, Plant and Equipment which are held at fair value therefore for which our opinion is modified only in respect of comparability. Consequently, the monetary gains or losses of on the consolidated and separate inflation adjusted Statement of profit or loss and other comprehensive income stated at Group ZWL25 333 803 (2020: ZWL75 834 470); Company ZWL25 062 (2020: (ZWL130 031 830)), are impacted. Our prior year audit report was also modified due to this matter.

The effects of the above departures from IFRS while material are confined to specific accounts and are not pervasive to the consolidated and separate inflation adjusted financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the consolidated and separate Inflation adjusted financial statements section* of our report. We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Goodwill Impairment	
The Group has goodwill of ZWL800 556 829 (2020: ZWL37 385 975). The increase in goodwill from the prior year was a result of the acquisition of Scanlink, Tredcor and Birmingham Properties as disclosed in note 27. Management identified an impairment indicator related to the carrying value of goodwill in the Birmingham division on acquisition. The Group's assessment of impairment in accordance with IAS 36 Impairment of Assets is a judgemental process which requires estimating future cash flows based on management's view of future business prospects. Our key audit matter focuses on the robustness of the revenue and profit forecasts of the Group. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk.	We performed the following procedures in response to the key audit matter identified: ➢ Completed a walkthrough of the impairment process and assessed the design and implementation of the key controls addressing the risk. ➢ We discussed with management to understand and critically challenge the key underlying assumptions used in the forecasts that form the basis of the Group's impairment review. ➢ We engaged our technical department who performed an assessment of the accuracy of the impairment done by management including cash flow projections made and the discounting factor used. ➢ Reviewed the disclosures in the financial statements, including the disclosure of the events and circumstances that led to the recognition of the impairment charge.
Application of IFRS 3 Busines Combinations on new acquisitions	
The Group acquired 100% of the share capital of Scanlink, Tredcor, and Birmingham Properties on 1 July 2021 for ZWL1 029 134 370. This transaction falls under the scope of IFRS 3 Business Combinations which requires significant management judgement in determining the fair value of assets acquired, including intangible assets which are inherently judgemental. Our key audit matter focuses on the valuation of assets acquired and the completeness of liabilities associated with the acquisition, including the valuation of the distribution agreement. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk. The Group accounted for the transaction as at 31 December 2021 in accordance with IFRS 3. The acquisition is disclosed in note 27 of the consolidated and company inflation adjusted financial statements.	We performed the following procedures in response to the key audit matter identified: ➢ Completed a walkthrough of the acquisition process and assessed the design and implementation of the key controls addressing the risk. ➢ Evaluated management's assessment of the due diligence findings and the actions taken. ➢ Risk assessed, appropriately scoped and tested the opening balance sheet for the acquired business. ➢ Reviewed the disclosures in the financial statements.

Other Information

Other information consists of the Directors' report, Chairman's Statement and the Statement of Director's Responsibility which we obtained prior to the date of this report. Other information does not include the inflation adjusted consolidated and separate financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Zimplow Holdings Limited

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate 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 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. As described in the Basis for Qualified Opinion section above, the Group did not comply with the requirements of IAS 21 – *Effects of Changes in Foreign Exchange Rates,* IFRS 13 – *Fair Value Measurement, consequently the application of* IAS 29 – *Financial Reporting in Hyperinflationary Economies was on an incorrect base.* We have concluded that the other information is materially misstated for the same reasons.

Responsibilities of the Directors for the Inflation adjusted Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of the inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the group and 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 the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Inflation adjusted Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate 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 inflation adjusted consolidated and separate 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 inflation adjusted consolidated and separate 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 and company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 consolidated 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 inflation adjusted consolidated financial statements, including the disclosures, and whether the consolidated 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 inflation adjusted consolidated 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 the directors 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 the directors 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr Walter Mupanguri (PAAB Practicing Certificate Number 367).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

31 May 2022