



HWANGE COLLIERY COMPANY LIMITED

INTERIM CONDENSED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2022

PROUDLY PROVIDING MORE THAN JUST COAL

ADMINISTRATOR'S LETTER

for the six months ended 30 June 2022

OVERVIEW

The first half of 2022 operating environment was characterised by general increase in commodity prices and raw materials including diesel, explosives and equipment spares. This was partly caused by the ongoing Russia-Ukraine war which sparked global inflation and increase in interest rates. Despite challenges, the company managed to continue with operations in both production and sales throughout the period. I report the performance for the half year below.

FINANCIAL PERFORMANCE

Despite the increase in revenue, the company posted losses for the period, of ZWL 3.97 billion in inflation adjusted terms. The net loss is a result of ZWL 8 billion exchange loss on foreign legacy debts during the period under review.

The Company's gross profit increased by 74% to ZWL 4.54 billion in inflation adjusted terms compared to same period last year. This was largely due to a combination of an increase in sales volume and regular product price adjustments in line with market value.

REVIEW OF OPERATIONS

The Company's production increased by 52% during the period under review. The sales volumes, however increased by only 74% compared to 2021. Limited availability of spares and the general increase in prices of maintenance spares and consumables affected the operations negatively.

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

- a) **Safety, Health, Environment and Quality**
- HCCL experienced a fatality free shift record as at 30 June 2022. The lost shift injury frequency rate improved due to initiatives like people focus, systems implementation and technology embracing. HCCL embraced a risk/opportunity-based approach to operations aimed at 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) **Open Cast Mining**
- Total coal mined by Opencast operations was 1 288 521 tonnes, a 55.59% increase in production from the previous year. The steady production is mainly attributed to the successful contract mining model the company has employed.
- A total of 676 387 tonnes of coal was produced for Hwange Power Station and Zimbabwe Zhongxin Electrical Energy for electricity generation during the course of the year, which was 124% increase from previous year. Deliveries into the power station were however negatively affected by limited stock holding space in the power station.
- c) **Underground Mining**
- 3 Main Underground Mine coal production was 19.49% lower than the previous year. This was mainly due to ageing underground mining equipment. The strategic plan is to have two new continuous miners within the next 18 months. This will result in the company's underground mine reaching optimum production capacity. The first continuous miner is expected to be commissioned before end of this year.
- d) **Fixed and Mobile Plant**
- The average feed recoveries for HCCL dry screening and wet screening plants were 98% and 90% respectively. Coking coal recovery from Jig & Flotation and HMS plants was 70% of plant feed. The company needs to improve its current washing capacity, as both the HMS plant and the Jig and Flotation plant are outdated and need constant maintenance and repair. This has put pressure on the company's limited working capital. The company intends to have modular plants and washing plant located near the mining areas within the next 24 months.

OUTLOOK

Global coal prices continue to rise amidst ongoing Russia-Ukraine conflict and the company intends to position itself to benefit from the increase in global demand for fossil energy. In this regard, the company will be focusing on coal beneficiation and improving the quality of its coal.

The company is set to receive a washing plant that will be located near mining areas. This equipment will be commissioned during the first quarter of 2023. The company has plans to build a coke battery by 2025.

ZSE LISTING

The Zimbabwe Stock Exchange suspension owing to Administration, continues

DIRECTORATE

There are no directors in place due to Administration.

APPRECIATION

I would like to express my gratitude to the administration team, management and Staff for their collective efforts and dedication to the Company.


M. SHAVA (MR)
ADMINISTRATOR
27 September 2022


B. MHATHIWA (MR)
MANAGING DIRECTOR
27 September 2022

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022

Notes	INFLATION ADJUSTED		HISTORICAL COST	
	6 months to 30 Jun 2022	6 months to 30 Jun 2021	6 months to 30 Jun 2022	6 months to 30 Jun 2021
	ZWL 000 Reviewed	ZWL 000 Reviewed	ZWL 000 Reviewed	ZWL 000 Reviewed
5	Revenue 16 488 033 Cost of sales (11 943 549)	8 825 355 (6 207 758)	11 194 058 (7 899 063)	2 853 195 (2 001 592)
	Gross profit 4 544 484	2 617 597	3 294 995	851 603
	Other income 94 666	45 280	59 551	15 896
	Other gains and losses (net) (8 027 703)	(824 384)	(6 728 906)	(255 968)
	Marketing costs (90 940)	(34 935)	(63 568)	(11 303)
	Administrative costs (3 557 719)	(1 638 007)	(2 368 490)	(651 455)
	Gain on net monetary position 5 273 261	1 535 194	-	-
	Operating (loss)/profit (1 763 951)	1 700 745	(5 806 418)	(51 227)
	Finance cost (680 770)	(140 449)	(566 787)	(46 379)
	Share of profit from equity accounted investments 9 896	-	9 896	-
	(LOSS)/ PROFIT BEFORE TAX (2 434 825)	1 560 296	(6 363 309)	(97 606)
6	Taxation (1 537 518)	(2 431 011)	(947 579)	(441 157)
	(LOSS) FOR THE PERIOD/ YEAR (3 972 343)	(870 715)	(7 310 888)	(538 763)
	Other comprehensive income:			
	Gain on revaluation property, plant and equipment -	-	-	-
	Tax effect of revaluation -	-	-	-
	TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD/YEAR (3 972 343)	(870 715)	(7 310 888)	(538 763)
7.1	Attributable loss per share • basic (22)	(5)	(40)	(3)
7.2	• diluted (22)	(5)	(40)	(3)
7.3	Headline loss per share • basic (22)	(5)	(40)	(3)
7.3	• diluted (22)	(5)	(40)	(3)

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

Notes	INFLATION ADJUSTED		HISTORICAL COST	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	ZWL 000 Reviewed	ZWL 000 Unaudited	ZWL 000 Reviewed	ZWL 000 Unaudited
8	37 977 495	38 113 876	10 653 306	10 761 079
9	2 612 515	2 612 515	458 433	458 433
10	1 456 364	1 446 468	24 649	14 753
12	710 628	699 553	4 945	4 945
	42 757 002	42 872 412	11 141 333	11 239 210
	Current assets			
12	Inventories 3 639 395	3 155 279	3 630 359	1 156 729
13	Trade and other receivables 3 267 978	2 137 447	3 267 978	976 371
14	Cash and cash equivalents 1 116 980	220 051	1 116 980	100 518
	8 024 353	5 512 777	8 015 317	2 233 618
	Total assets 50 781 355	48 385 189	19 156 650	13 472 828
	EQUITY, RESERVES AND LIABILITIES			
	Equity and reserves			
15	Share capital 7 116 531	7 116 531	45 962	45 962
	Non-distributable reserves 80 813	80 813	4 358	4 358
	Share premium 674 833	674 833	578	578
	Revaluation reserve 510 283	510 283	8 357 425	8 357 425
	Accumulated losses 15 757 242	19 729 585	(9 568 522)	(2 257 634)
	24 139 702	28 112 045	(1 160 199)	6 150 689
16.1	Borrowings 181 781	401 201	181 781	183 266
17.2	Long term creditors 9 596 580	6 066 451	9 596 580	2 771 114
	Income tax liability 370 586	9 081	374 734	4 148
	Deferred tax liability 8 666 688	8 909 557	2 337 736	2 131 329
	18 815 635	15 386 290	12 490 831	5 089 857
16.2	Current liabilities			
17.1	Borrowings 53 222	116 512	53 222	53 222
18	Trade and other payables 6 071 019	3 011 185	6 071 019	1 375 489
	Provisions 1 701 777	1 759 157	1 701 777	803 571
	7 826 018	4 886 854	7 826 018	2 232 282
	Total equity, reserves and liabilities 50 781 355	48 385 189	19 156 650	13 472 828



HWANGE COLLIERY COMPANY LIMITED

INTERIM CONDENSED
FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2022

PROUDLY PROVIDING MORE THAN JUST COAL



STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022

	INFLATION ADJUSTED					Total ZWL 000
	Share capital ZWL 000	Share premium ZWL 000	Non - distributable reserve ZWL 000	Revaluation reserve ZWL 000	Retained Earnings /(Accumulated Losses) ZWL 000	
Balance at 1 January 2021	7 116 531	80 813	674 833	510 283	19 666 966	28 049 426
Total comprehensive loss for the period (reviewed)	-	-	-	-	(870 715)	(870 715)
Balance at 30 June 2021 (reviewed)	7 116 531	80 813	674 833	510 283	18 796 251	27 178 711
Balance at 1 January 2021	7 116 531	80 813	674 833	510 283	19 666 966	28 049 426
Profit for the year	-	-	-	-	62 619	62 619
Balances at 31 December 2021 (audited)	7 116 531	80 813	674 833	510 283	19 729 585	28 112 045
Balance at 1 January 2022	7 116 531	80 813	674 833	510 283	19 729 585	28 112 045
Total comprehensive profit/loss for the year (reviewed)	-	-	-	-	(3 972 343)	(3 972 343)
Balances at 30 June 2022 (reviewed)	7 116 531	80 813	674 833	510 283	15 757 242	24 139 702

	HISTORICAL COST					Total ZWL 000
	Share capital ZWL 000	Share premium ZWL 000	Non - distributable reserve ZWL 000	Revaluation reserve ZWL 000	Retained Earnings /(Accumulated Losses) ZWL 000	
Balance at 1 January 2021	45 962	4 358	578	8 357 425	(1 167 879)	7 240 445
Total comprehensive loss for the period (reviewed)	-	-	-	-	(538 763)	(538 763)
Balance at 30 June 2021 (reviewed)	45 962	4 358	578	8 357 425	(1 706 642)	6 701 682
Balance at 1 January 2021	45 962	4 358	578	8 357 425	(1 167 879)	7 240 445
Loss for the year	-	-	-	-	(1 089 755)	(1 089 755)
Balances at 31 December 2021 (audited)	45 962	4 358	578	8 357 425	(2 257 634)	6 150 690
Balance at 1 January 2022	45 962	4 358	578	8 357 425	(2 257 634)	6 150 690
Total comprehensive loss for the period (reviewed)	-	-	-	-	(7 310 888)	(7 310 888)
Balances at 30 June 2022 (reviewed)	45 962	4 358	578	8 357 425	(9 568 522)	(1 160 198)

STATEMENT OF CASH FLOWS
for the six months ended 30 June 2022

	INFLATION ADJUSTED		HISTORICAL COST	
	30 June 2022 ZWL 000 Reviewed	30 June 2021 ZWL 000 Reviewed	30 June 2022 ZWL 000 Reviewed	30 June 2021 ZWL 000 Reviewed
CASH GENERATED FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(2 434 825)	1 560 296	(6 363 309)	(97 606)
Adjustment for non-cash items	8 459 080	1 542 247	7 141 645	493 013
Net effect of changes in working capital	1 136 746	59 405	828 499	18 990
Gain/(loss) on net monetary position	(5 273 261)	(1 535 195)	-	-
Net cash (utilised in)/ generated from operations	1 887 740	1 626 753	1 606 835	414 397
Interest paid	-	-	-	-
Tax paid	-	-	-	-
Net cash (utilised in)/generated from operating activities	1 887 740	1 626 753	1 606 835	414 397
Cash flows from investing activities				
Purchase of property, plant and equipment	(225 423)	(23 071)	(118 661)	(7 706)
Net cash utilised in investing activities	(225 423)	(23 071)	(118 661)	(7 706)
Cash flows from financing activities				
Repayment of borrowings	(10 149)	(239 892)	(6 255)	(76 686)
Long term creditors	(755 239)	(1 222 688)	(465 457)	(268 416)
Net cash generated from/(utilised in) financing activities	(765 388)	(1 462 580)	(471 712)	(345 102)
Net (decrease)/increase in cash and cash equivalents	896 929	141 102	1 016 462	61 589
Cash and cash equivalents at beginning of the period	220 051	224 410	100 518	63 774
Cash and cash equivalents at end of period	1 116 980	365 512	1 116 980	125 363

NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 June 2022

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, provision of properties for rental and various retail goods and services.

2 BASIS OF PREPARATION OF THE CONDENSED FINANCIAL STATEMENTS

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards; Companies and Other Business Entities Act (Chapter 24:31)

The company is a limited liability company incorporated and domiciled in Zimbabwe. It is listed primarily on the Zimbabwe Stock Exchange (ZSE), and also on the Johannesburg Stock Exchange (JSE) and London Stock Exchange (LSE). This condensed interim financial information has been reviewed, not audited.

These condensed interim financial statements were approved for issue by the Administrator on 27 September 2022.

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 ZIMSTAT. The indices used are as follows:

DATE

30 June 2022
31 December 2021
30 June 2021

INDICES	CONVERSION FACTOR
8 707	1.000
3 977	2.189
2 986	2.916

3 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2021.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements as at and for the year ended 31 December 2021.

5 REVENUE

Mining
Estates
Medical Services

Total

INFLATION ADJUSTED		HISTORICAL COST	
6 months to 30 June 2022 ZWL 000	6 months to 30 June 2021 ZWL 000	6 months to 30 June 2022 ZWL 000	6 months to 30 June 2021 ZWL 000
14 991 533	8 073 508	10 239 126	2 601 832
1 352 986	608 847	864 172	185 367
143 514	143 000	90 760	65 996
16 488 033	8 825 355	11 194 058	2 853 195
370 586	-	370 586	-
1 166 932	2 431 011	576 993	441 157
1 537 518	2 431 011	947 579	441 157

6 TAXATION

Current tax
Deferred tax

7 EARNINGS/(LOSS) PER SHARE

7.1 Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period/year.

Profit/(loss) attributable to shareholders
Weighted average number of ordinary shares in issue

Basic earnings/(loss) per share

7.2 Diluted

Profit/(loss) used to determine diluted earnings/(loss) per share

INFLATION ADJUSTED		HISTORICAL COST	
6 months to 30 June 2022 ZWL 000	6 months to 30 June 2021 ZWL 000	6 months to 30 June 2022 ZWL 000	6 months to 30 June 2021 ZWL 000
(3 972 343)	(870 715)	(7 310 888)	(538 763)
183 757	183 757	183 757	183 757
(22)	(5)	(40)	(3)
(3 972 343)	(870 715)	(7 310 888)	(538 763)

The weighted average number of ordinary shares for the purpose of diluted loss per share, reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:



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PROUDLY PROVIDING MORE THAN JUST COAL

NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 June 2022 (continued)

7 EARNINGS/(LOSS) PER SHARE (cont'd)

7.2 Diluted (cont'd)

INFLATION ADJUSTED		HISTORICAL COST	
6 months to 30 June 2022 ZWL 000	6 months to 30 June 2021 ZWL 000	6 months to 30 June 2022 ZWL 000	6 months to 30 June 2021 ZWL 000
183 757	183 757	183 757	183 757
183 757	183 757	183 757	183 757
(22)	(5)	(40)	(3)

Weighted average number of ordinary shares in issue
Weighted average number of ordinary shares for diluted
loss per share

Diluted earnings profit/(loss) per share

7.3 Headline earnings profit/(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 loss shown below by the number of shares in issue during the year:

Reconciliation between headline earnings/(loss) and basic loss:

IAS 33 - Earnings/(losses)	(3 972 343)	(870 715)	(7 310 888)	(538 763)
Non - recurring items:				
Proceeds on sale of scrap	(32 583)	(7 557)	(21 219)	(2 528)
Impairment	-	-	-	-
Stripping activity impairment	-	-	-	-
Tax effect of the above	-	-	-	-
Headline losses	(4 004 926)	(878 272)	(7 332 107)	(541 291)
Weighted average number of ordinary shares in issue	183 757	183 757	183 757	183 757
Headline loss per share	(22)	(5)	(40)	(3)

8 PROPERTY, PLANT AND EQUIPMENT

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
38 113 876	39 271 919	10 761 079	11 160 545
225 423	124 726	118 661	55 288
-	(57 580)	-	(16 358)
-	(33 405)	-	(9 040)
(361 804)	(1 191 804)	(226 434)	(429 356)
37 977 495	38 113 876	10 653 306	10 761 079
2 612 515	2 540 894	458 433	442 075
-	71 621	-	16 358
2 612 515	2 612 515	458 433	458 433

Carrying amount at the beginning of the period/year
Additions
Reclassification
Impairment
Depreciation charge for the period/year

Carrying amount at the end of the period/year

9 INVESTMENT PROPERTY

Valuation at 1 January
Reclassification

Investment property comprises of:

Land situated at Lot 7 of Stand 2185 Salisbury Township Harare with an administration building thereon.
Land situated at Stand 555 Bulawayo Township Bulawayo with an administration building thereon.
Land situated at Stand 701 Bulawayo Township with a residential building thereon.
Land situated at Stand 690 Bulawayo Township with a residential building thereon.

9.1 The following amount has been recognised in profit or loss:

Rental income	25 468	17 932	17 058	7 640
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10 INVESTMENT IN EQUITY ACCOUNTED INVESTMENTS

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
9 896	-	9 896	-
1 446 468	1 446 468	14 753	14 753
1 456 364	1 446 468	24 649	14 753
-	12 308	-	1 414
9 896	(12 308)	9 896	(1 414)
9 896	-	9 896	-

Investments in associates (note 10.1)
Investments in joint venture (note 10.2)

10.1 Investments in associates

Carrying amount as at beginning of period/year
Share of profit/(loss)

Carrying amount at the end of the period/year

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

10.2 Investment in joint venture

Carrying amount as at beginning of period/year
Share of profit/(loss)

Carrying amount at the end of the period/year

Hwange Coal Gasification Company (Private) Limited is the only jointly controlled entity and the ultimate ownership interest is 25%. The investment in the joint venture has been accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 June 2022 (continued)

11 INTANGIBLE ASSETS

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
-	14 492	-	53
-	-	-	-
-	-	-	-
-	(14 492)	-	(53)
-	-	-	-

Opening carrying amount
Additions
Impairment losses
Amortisation charge

Closing carrying amount

Intangible assets comprised of mining rights and an enterprise resource planning (ERP) software. The Company acquired the ERP software to support the administration and control of the Company. Some modules for mine planning and marketing are still to be developed. Mining rights comprise new coal mining claims acquired during the year. No intangible assets have been pledged as security for liabilities.

12 INVENTORIES

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
710 628	699 553	4 945	4 945
851 828	858 362	195 665	191 493
2 787 567	2 296 917	3 434 694	965 236
3 639 395	3 155 279	3 630 359	1 156 729

Non- Current portion
Coal fines
Current
Raw materials/consumables
Finished goods
Coal and coal fines

Intangible assets comprised of mining rights and an enterprise resource planning (ERP) software. The Company acquired the ERP software to support the administration and control of the Company. Some modules for mine planning and marketing are still to be developed. Mining rights comprise new coal mining claims acquired during the year. No intangible assets have been pledged as security for liabilities.

13 TRADE AND OTHER RECEIVABLES

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
1 570 876	1 193 801	1 570 876	545 320
1 697 102	943 646	1 697 102	431 051
3 267 978	2 137 447	3 267 978	976 371

Trade
Other

14 CASH AND CASH EQUIVALENTS

Bank and cash balances
Bank overdraft

15 SHARE CAPITAL

Authorised
204 000 000 ordinary shares of ZWL0.25 each

Issued and fully paid
110 237 432 Ordinary shares of ZWL0.25 each
5 962 366 Ordinary shares issued under share option scheme

67 557 568 "A" Ordinary shares of ZWL0.25 each

16 BORROWINGS

16.1 Non current
Loans due after one year

16.2 Current
Loans payable within one year

17 TRADE AND OTHER PAYABLES

17.1 Trade and other payables- current
Trade
Other

17.2 Trade and other payables- Long term
Trade
Other

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
181 781	401 201	181 781	183 266
53 222	116 512	53 222	53 222
3 267 307	2 359 225	3 267 307	1 077 678
2 803 712	651 960	2 803 712	297 811
6 071 019	3 011 185	6 071 019	1 375 489
9 596 580	6 066 451	9 596 580	2 771 114
9 596 580	6 066 451	9 596 580	2 771 114



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PROUDLY PROVIDING MORE THAN JUST COAL



NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 June 2022 (continued)

18 PROVISIONS

- 18.1 Provision for rehabilitation**
At the beginning of the period/year
Additional provisions made during the period/year

At the end of the period/year
- 18.2 Other provisions**
Leave pay and other provisions

Total provisions

INFLATION ADJUSTED		HISTORICAL COST	
30 June 2022 ZWL 000	31 Dec 2021 ZWL 000	30 June 2022 ZWL 000	31 Dec 2021 ZWL 000
212 662 6 586	398 145 67 409	212 662 6 586	181 870 30 792
219 248	465 554	219 248	212 662
1 482 529	1 293 603	1 482 529	590 909
1 701 777	1 759 157	1 701 777	803 571

19 SEGMENT REPORTING

Management currently identifies the Company's three business units as its operating segments. These operating segments are monitored by the Company's Administrator and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting periods is as follows:

- 30 June 2022**
Revenue
From external customers
From other segments

Total segment revenues
Segment operating loss/profit
Segment assets
Segment liabilities

INFLATION ADJUSTED			
Mining 2022 ZWL 000	Estates 2022 ZWL 000	Medical services 2022 ZWL 000	Total 2022 ZWL 000
14 991 533 -	1 352 986 229 773	143 514 15 185	16 488 033 244 958
14 991 533	1 582 759	158 699	16 732 991
(1 671 823)	234 355	(326 483)	(1 763 951)
48 869 198	1 157 599	754 558	50 781 355
26 146 385	275 158	220 110	26 641 653

- 30 June 2021**
Revenue
From external customers
From other segments

Total segment revenues
Segment operating loss/profit
Segment assets
Segment liabilities

INFLATION ADJUSTED			
Mining 2021 ZWL 000	Estates 2021 ZWL 000	Medical services 2021 ZWL 000	Total 2021 ZWL 000
8 073 508 -	608 847 356 065	143 000 62 459	8 825 355 418 524
8 073 508	964 912	205 459	9 243 879
1 597 902	90 055	12 788	1 700 745
45 501 346	1 157 599	754 558	47 413 503
19 335 998	275 167	220 129	19 831 294

- 30 June 2022**
Revenue
From external customers
From other segments

HISTORICAL COST			
Mining 2022 ZWL 000	Estates 2022 ZWL 000	Medical services 2022 ZWL 000	Total 2022 ZWL 000
10 239 126 -	864 172 229 773	90 760 15 185	11 194 058 244 958
10 239 126	1 093 945	105 945	11 439 016
(5 872 900)	267 695	(201 213)	(5 806 418)
18 274 813	557 036	324 801	19 156 650
19 821 581	275 158	220 110	20 316 849

- 30 June 2021**
Revenue
From external customers
From other segments

Total segment revenues
Segment operating (loss)/profit
Segment assets
Segment liabilities

HISTORICAL COST			
Mining 2021 ZWL 000	Estates 2021 ZWL 000	Medical services 2021 ZWL 000	Total 2021 ZWL 000
2 601 832 -	185 367 125 141	65 996 -	2 853 195 125 141
2 601 832	310 508	65 996	2 978 336
(45 930)	(15 139)	9 842	(51 227)
12 858 379	39 042	78 684	12 976 105
6 087 925	40 022	146 479	6 274 426

NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 June 2022 (continued)

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans payable, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of Company's business and these are the main risks arising from the Company's financial instruments.

20.1 Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company assumes foreign credit risk only on customers approved by the Board and follows credit review procedures for local credit customers.

Investments are allowed only in liquid securities and only with approved financial institutions. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the statement of financial position.

20.2 Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long and short term debt obligations and bank overdrafts. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

20.3 Currency risk

The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than the Zimbabwean Dollar. The currency giving rise to this risk is primarily the South African Rand. In respect of all monetary assets and liabilities held in currencies other than the Zimbabwe Dollar, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Company's exposure to foreign currency changes for all the other currencies is not significant.

AUDITOR'S STATEMENT

The condensed interim financial statements for the six months ended 30 June 2022 have been reviewed by Grant Thornton Chartered Accountants (Zimbabwe) and an adverse review conclusion has been issued thereon.

- The adverse review conclusion was issued regarding the following:
- Non-compliance with International Accounting Standard (IAS) 21 – 'The Effect of Changes in Foreign Exchange Rates',
 - Non-compliance with International Accounting Standard (IAS) 29 – 'Financial Reporting in Hyperinflationary Economies',
 - Valuation of investment properties, and property, plant & equipment,
 - Limitation of scope for revenues and inventories for Estates and Medical Services divisions.

The conclusion on these condensed interim financial statements is available for inspection at the Company's registered office.

The Engagement Partner responsible for this review conclusion is Trevor Mungwazi (PAAB Number: 0622).





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REPORT ON REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

To the Members of Hwange Colliery Company Limited

We have reviewed the accompanying inflation adjusted statement of financial position of Hwange Colliery Company Limited as at 30 June 2022 and the related inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity, inflation adjusted statement of cash flows for the six-month period then ended, and a summary of significant Company accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the condensed interim financial statements

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” and the Company’s accounting policies. This includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of interim condensed financial statements that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Basis for Adverse Conclusion

Non-compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates"

During the current and prior financial periods, 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 the company as required by IAS 21. IAS 21 defines the spot exchange rate as the exchange rate for immediate delivery. The Company was not in a position to exchange ZWL for immediate delivery of other foreign currencies to settle its obligations through the Foreign Exchange Auction Trading System.

In addition, there were disparities during the period between the auction exchange rates and the rates derived from comparing the market prices of goods and services quoted in both USD and ZWL. These conditions indicate the existence of multiple exchange rates. In terms of IAS 21, when several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

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

Valuation of investment property and property, plant and equipment

The determination of fair values for non-current assets presented in the financial statements is affected by the prevailing economic environment. These financial statements include investment property carried at fair value; and property, plant and equipment that was revalued by independent professional valuers as at 31 December 2020 in accordance with IFRS 13 “*Fair Value Measurement*”. The property, plant and equipment valuations were determined in USD and then translated to ZWL using an exchange rate estimated by management as at 31 December 2020.

Although the determined USD values as at 31 December 2020 reflected the fair value of the investment property; and 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. The opinions for the years ended 31 December 2020 and 31 December 2021 were modified with regards to this matter and no subsequent revaluations were done.

Limitation of Scope - Completeness and Valuation of inventories

Included in the Company’s inventories as at 30 June 2022 are amounts attributable to the medical services and estates divisions, which account for 0.2% and 7% of the inventories of the Company, respectively. There were inadequacies noted in relation to the record keeping and controls over inventories for the medical services and estates divisions. Accordingly, we were unable to determine whether any adjustments to the amounts of inventories for medical services and estates divisions were necessary. The opinions for the years ended 31 December 2020 and 31 December 2021 were modified in respect of this matter, and the misstatements have not been corrected in these condensed interim financial statements.

Going concern

Hwange Colliery Company Limited is in its fourth year under reconstruction in terms section 4 of the reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27). This was done to rescue the company from the current difficulties.

The Company’s Administrator has initiated the following 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.

Adverse Conclusion

Based on our review, because of the significance of the matters described in the Basis for Adverse Conclusion section of our report, the accompanying inflation-adjusted condensed interim financial statements do not present fairly, in all material respects the financial position of Hwange Colliery Company Limited as at 30 June 2022, and of its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards (IFRS).

The engagement partner on the review engagement resulting in this independent review conclusion is Trevor Mungwazi.

Grant Thornton

Trevor Mungwazi

Partner

Registered Public Auditor (PAAB No: 0622)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

30 September 2022