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# Hwange Colliery Company Limited

## ABRIDGED AUDITED FINANCIAL RESULTS

For the year ended 31 December 2022

### MAIN OPERATIONS

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### ADMINISTRATOR'S LETTER

#### OVERVIEW

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

#### FINANCIAL PERFORMANCE

Revenue improved by 139.76% from ZWL32.42 billion in 2021 to ZWL77.73 billion in 2022 on an inflation-adjusted basis. This was largely driven by the increase in sales tonnes.

Gross profit increased by 226.20% from ZWL7.10 billion prior year to ZWL23.16 billion in inflation adjusted terms this year. The Company posted a loss of ZWL8.6 billion for the year. The loss was mostly attributed to exchange rate impact on legacy debts. Legacy debts contributed ZWL30.70 billion of unrealised losses in inflation adjusted terms.

#### REVIEW OF OPERATIONS

Coal production increased by 63% while sales volumes increased by 45% compared to the prior year. Despite the remarkable increase in production and sales compared to the previous year, the underground mine section was affected by delays in the commissioning of new equipment, while the market for NPD (nuts, peas, and duff) and Duff products was depressed. Going forward, the company intends to continue increasing coking coal production and sales, which will in turn increase capacity to discharge obligations to creditors as well as create a positive balance sheet in the medium term.

The Company continues to place emphasis on a low-cost, high-productivity strategy. This has enabled the organization to significantly reduce costs while remaining viable. Tight controls remain on costs, and this has had a very positive impact on cash flows as well. The strategy of low capital investment, low risk of losses, and high production output by outsourcing opencast mining also continued in the period under review.

#### The strategic priorities for the year were as follows:

The business maintained its certification to the three (3) ISO standards on Health and Safety, Environmental Management and Quality Management. Operations were guided by strict adherence to these standards.

Overall, 2022 was a **safe** year with no fatal accidents. The Company achieved a lost-time injury frequency rate of 1.06. This was a notable achievement. This commendable performance was a product of initiatives implemented by the organisation through increasing safety awareness and behaviour, system implementation, and technology adoption. HCCL has embraced a risk- and opportunity-based approach to all its operations to enhance its journey to zero harm.

On the **health** front, robust measures aimed at preventing and managing incidents related to non-communicable diseases were established through a wellness policy.

The **quality** of products produced was managed throughout the value chain using the Integrated Business Management System (IBMS). This ensured that our production was done safely, with minimal negative impact on the environment, and that quality products were delivered to our customers.

The focus during the period under review was on increasing production and sales of high value coking coal. Raw coking coal and clean coking coal sales increased by 36%, from 594,482 tonnes in 2021 to 808,315 tonnes in 2022. The total coal produced by opencast operations was 3,128,884 tonnes, a 73% increase in production from the previous year.

A total of 1,198,539 tonnes of coal were delivered to Hwange Power Station during the course of the year, which was an increase of 63% from the previous year. Deliveries into the power station were, however, negatively affected by challenges at the power station and limited stock holding space at the same.

Underground mine coal production declined by 24% compared to the previous year. This was mainly due to delays in commissioning the new underground mining equipment due to COVID-19 restrictions that affected the movement of the engineers from the Original Equipment Manufacturers.



#### OUTLOOK

As a part of efforts to increase production, the Company entered into an equipment mobilisation and coal offtake agreement through which it will receive new underground mining equipment valued at USD15 million over a period of two years. A consignment of the equipment worth USD6 million has since been received and commissioned into operation. This is expected to increase underground production to 50,000 tonnes by mid-2023.

The Company has also engaged new mining contractors to open three new opencast pits to guarantee coking coal annual production of 772,000 tonnes per year.

On the coal processing front, the Company acquired two new washing plants that will be commissioned during the second half of 2023. The washing plants will be located near the mining areas to reduce hauling and processing costs.

The development of the Option Area has started with the boxcut and mining of a portal that will lead to the underground mine. This new mine will augment the production of coking coal from the current 3 Main underground mines. Coal production from the Option Area is scheduled for 2024.

The Company has a thrust in 2023 to grow its market share of coking coal sales in neighbouring countries. Advanced plans to develop dedicated solutions for the delivery of coking coal and coke products in the region are underway.

MR MUNASHE SHAVA  
ADMINISTRATOR  
30 April 2023

### PRODUCTION

	31-Dec-22 Tonnes	31-Dec-21 Tonnes
<b>COAL PRODUCTION</b>		
Underground	168 023	221 808
Open Pits	3 128 883	1 804 664
<b>Total Coal Produced</b>	<b>3 296 906</b>	<b>2 026 472</b>

### ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
Revenue	4	77 733 913	32 419 059	60 017 845	7 505 194
Cost of sales		(54 572 469)	(25 359 320)	(40 155 840)	(5 927 407)
Gross profit		23 161 444	7 059 739	19 895 005	1 577 787
Other income	6	520 071	179 983	424 260	44 178
Other losses and gains	7	(30 717 015)	(3 108 200)	(22 834 044)	(780 795)
Marketing costs		(373 051)	(169 587)	(281 141)	(40 878)
Administrative costs		(14 234 401)	(7 678 566)	(12 965 666)	(1 859 896)
Gain on net monetary position		14 262 814	3 915 058	-	-
Operating (loss)/profit before interest and tax		(7 380 138)	198 427	(15 797 586)	(1 059 604)
Finance costs	8	(1 490 016)	(436 210)	(932 420)	(108 862)
Share of profit/(loss) from equity accounted investments	9	4 645	(19 326)	4 645	(1 414)
<b>Loss before tax</b>	10	<b>(8 865 509)</b>	<b>(257 109)</b>	<b>(16 725 361)</b>	<b>(1 169 880)</b>
Income tax credit	11	236 817	355 431	130 399	80 125
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(8 628 692)</b>	<b>98 322</b>	<b>(16 594 962)</b>	<b>(1 089 755)</b>
Other comprehensive income:					
Gain on revaluation property, plant and equipment		-	-	-	-
Tax effect on revaluation		-	-	-	-
		-	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<b>(8 628 692)</b>	<b>98 322</b>	<b>(16 594 962)</b>	<b>(1 089 755)</b>
Attributable (loss)/earnings per share	12.1	(46.97)	0.54	(90.33)	(5.93)
Diluted (loss)/earnings per share	12.2	(46.97)	0.54	(90.33)	(5.93)
Headline (loss)/earnings per share	12.2	(47.31)	0.46	(90.52)	(5.91)
	12.3	(47.31)	0.46	(90.52)	(5.91)





Hwange Colliery Company Limited

ABRIDGED AUDITED  
FINANCIAL RESULTS

For the year ended 31 December 2022



ABRIDGED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
<b>ASSETS</b>					
<b>Non current assets</b>					
Property plant and equipment	13	59 569 360	59 849 161	10 563 170	10 761 079
Investment property	14	4 102 360	4 102 360	458 433	458 433
Investments accounted for using the equity method	15	2 275 993	2 271 348	19 398	14 753
Inventories - non current portion	17	1 041 176	1 098 488	4 687	4 945
		66 988 889	67 321 357	11 045 688	11 239 210
<b>Current assets</b>					
Inventories	18	10 665 919	4 954 646	8 897 302	1 156 729
Prepayments		899 252	-	899 252	-
Trade and other receivables	19	8 586 210	3 356 373	8 586 210	976 371
Cash and cash equivalents	21	880 674	345 541	880 674	100 518
		21 032 055	8 656 560	19 263 438	2 233 618
<b>Total assets</b>		<b>88 020 944</b>	<b>75 977 917</b>	<b>30 309 126</b>	<b>13 472 828</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	22.1	11 174 890	11 174 890	45 962	45 962
Share premium		126 899	126 899	578	578
Non-distributable reserve		1 059 671	1 059 671	4 358	4 358
Revaluation reserve		801 284	801 284	8 357 425	8 357 425
Retained earnings/(Accumulated losses)		22 352 120	30 980 812	(18 852 596)	(2 257 634)
		35 514 864	44 143 556	(10 444 273)	6 150 689
<b>Non current liabilities</b>					
Borrowings	23.1	13 017 031	630 002	13 017 031	183 266
Long term creditors	24	17 938 459	9 525 980	17 938 459	2 771 114
Income tax liability	25	1 281	14 259	1 281	4 148
Deferred tax liability	11.3	13 753 611	13 990 428	2 000 930	2 131 329
		44 710 382	24 160 669	32 957 701	5 089 857
<b>Current liabilities</b>					
Borrowings	23.2	-	182 957	-	53 222
Trade and other payables	24	5 720 714	4 728 380	5 720 714	1 375 489
Provisions	26	2 074 984	2 762 355	2 074 984	803 571
		7 795 698	7 673 692	7 795 698	2 232 282
<b>Total equity and liabilities</b>		<b>88 020 944</b>	<b>75 977 917</b>	<b>30 309 126</b>	<b>13 472 828</b>

ABRIDGED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss before tax		(8 865 509)	(257 109)	(16 725 361)	(1 169 880)
<b>Adjustment for non-cash items:</b>					
Foreign exchange loss		30 717 015	3 108 200	22 834 044	780 795
Finance costs	8	1 490 016	436 210	932 420	108 862
Impairment of assets	13	-	52 454	-	9 040
Depreciation	13	829 184	1 871 457	462 062	429 356
Share of loss/(profit) from equity accounted investments	9	(4 645)	19 326	(4 645)	1 414
Amortisation		-	22 757	-	53
Allowance for credit losses	19	161 685	(127 651)	431 542	(37 134)
Gain on net monetary position		(14 262 814)	(3 915 058)	-	-
<b>Operating cash flow before changes in working capital</b>		<b>10 064 932</b>	<b>1 120 586</b>	<b>7 930 062</b>	<b>122 506</b>
Changes in working capital:					
Increase in inventory		(5 653 961)	(2 647 015)	(7 740 315)	(596 725)
Increase in prepayments		(899 252)	-	(899 252)	-
Increase in receivables		(5 229 837)	(479 089)	(7 609 839)	(418 509)
Increase in provisions		687 371	1 055 100	1 271 413	494 593
Increase in trade and other payables		(992 334)	175 046	4 345 225	551 430
Cash utilised in operating activities		(2 023 081)	(685 372)	(2 702 706)	153 295
Interest paid		-	(9 043)	-	(2 039)
Tax paid		(3 081)	-	(2 867)	-
<b>Net cash flows utilised in operating activities</b>		<b>(2 026 162)</b>	<b>(694 415)</b>	<b>(2 705 573)</b>	<b>151 256</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of property,plant and equipment		(556 279)	(195 853)	(271 049)	(55 288)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in long-term creditors		6 834 027	226 688	3 763 033	51 103
Repayment of borrowings		(15 487)	(509 574)	(6 255)	(110 327)
<b>Net cash flows generated from financing activities</b>		<b>6 818 540</b>	<b>(282 886)</b>	<b>3 756 778</b>	<b>(59 224)</b>
Net Increase/(decrease) in cash and cash equivalents		4 236 099	(1 173 154)	780 156	36 744
Cash and cash equivalents at beginning of the year		345 541	219 229	100 518	63 774
Effects of inflation		(3 700 966)	1 299 466	-	-
<b>Cash and cash equivalents at end of year</b>	<b>21</b>	<b>880 674</b>	<b>345 541</b>	<b>880 674</b>	<b>100 518</b>

ABRIDGED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

INFLATION ADJUSTED						
	Share capital ZW\$ 000	Share premium ZW\$ 000	Non - distributable reserve ZW\$ 000	Revaluation reserve ZW\$ 000	Retained earnings ZW\$ 000	Total ZW\$ 000
<b>Balance at 1 January 2021</b>	<b>11 174 890</b>	<b>126 899</b>	<b>1 059 671</b>	<b>801 284</b>	<b>30 882 490</b>	<b>44 045 234</b>
Total comprehensive income for the year	-	-	-	-	98 322	98 322
<b>Balance at 31 December 2021</b>	<b>11 174 890</b>	<b>126 899</b>	<b>1 059 671</b>	<b>801 284</b>	<b>30 980 812</b>	<b>44 143 556</b>
<b>Balance at 1 January 2022</b>	<b>11 174 890</b>	<b>126 899</b>	<b>1 059 671</b>	<b>801 284</b>	<b>30 980 812</b>	<b>44 143 556</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(8 628 692)	(8 628 692)
<b>Balance at 31 December 2022</b>	<b>11 174 890</b>	<b>126 899</b>	<b>1 059 671</b>	<b>801 284</b>	<b>22 352 120</b>	<b>35 154 864</b>

HISTORICAL COST						
	Share capital ZW\$ 000	Share premium ZW\$ 000	Non - distributable reserve ZW\$ 000	Revaluation reserve ZW\$ 000	Accumulated Losses ZW\$ 000	Total ZW\$ 000
<b>Balance at 1 January 2021</b>	<b>45 962</b>	<b>578</b>	<b>4 358</b>	<b>8 357 425</b>	<b>(1 167 879)</b>	<b>7 240 444</b>
Comprehensive income for the year	-	-	-	-	(1 089 755)	(1 089 755)
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>45 962</b>	<b>578</b>	<b>4 358</b>	<b>8 357 425</b>	<b>(2 257 634)</b>	<b>6 150 689</b>
<b>Balance at 1 January 2022</b>	<b>45 962</b>	<b>578</b>	<b>4 358</b>	<b>8 357 425</b>	<b>(2 257 634)</b>	<b>6 150 689</b>
Total comprehensive income for the year	-	-	-	-	(16 594 962)	(16 594 962)
<b>Balance at 31 December 2022</b>	<b>45 962</b>	<b>578</b>	<b>4 358</b>	<b>8 357 425</b>	<b>(18 552 596)</b>	<b>(10 444 273)</b>

ABRIDGED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 and various retail goods and services. Its activities are catergorised into the following three (3) areas:

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

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

The Company's financial statements were authorised for issue by the Administrator on the 4th of May 2023.

Presentation currency

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

2 STATEMENT OF COMPLIANCE

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

IAS 29 ‘Financial Reporting in Hyper -Inflationary Economies’

The Company adopted IAS 29 – “Financial Reporting in Hyper -Inflationary Economies” effective 1 January 2019 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board “PAAB”. IAS 29 requires that the financial statements prepared in the currency of a hyper-inflationary economy be stated in terms of a measuring unit current at the balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index( CPI) prepared by the Reserve Bank Of Zimbabwe. The conversion factors used to restate the financial statements at 31 December 2022, using a 31 December 2021 base are as follows:

Date	Indices	Conversion Factor
31 December 2022	13 673	1.000
31 December 2021	3 977	3.438

2.1 Changes in accounting policy and disclosures

Other standards and amendments that are not yet effective and have not been adopted early by the Company include:

2.1.1 Classification of Liabilities as Current or Non-current –Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment will impact how the entity classifies liabilities between current and non current.





Hwange Colliery Company Limited

ABRIDGED AUDITED  
FINANCIAL RESULTS

For the year ended 31 December 2022



ABRIDGED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2.1.2

Deferred Tax related to Assets and Liabilities arising from a Single Transaction –Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

2.1.2

Deferred Tax related to Assets and Liabilities arising from a Single Transaction–Amendments to IAS 12

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. This amendment will have an impact on the company should there be changes in accounting policies or estimates.

3

SUMMARY OF ACCOUNTING POLICIES

3.1

Overall considerations

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

3.2

Foreign currency translation

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

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

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

3.3

Investment in associates and joint ventures

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

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

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

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

3.4

Revenue recognition

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

3.4.1

Sale of goods

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

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

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

3.4.2

Dividend income

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

3.4.3

Interest income

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

3.4.4

Rendering of services

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

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

Notes	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
4	REVENUE			
Mining	72 213 015	29 298 025	55 609 582	6 819 229
Medical services	731 752	589 596	559 797	134 207
Estates	4 789 146	2 531 438	3 848 466	551 758
	77 733 913	32 419 059	60 017 845	7 505 194

ABRIDGED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5

SEGMENT REPORTING

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

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

Segment information for the reporting period is as follows:

	Mining ZW\$ 000	Services ZW\$ 000	Estates ZW\$ 000	Total ZW\$ 000
INFLATION ADJUSTED				
2022				
Revenue				
From external customers	72 213 015	731 752	4 789 146	77 733 913
From other segments	-	-	2 341 361	2 341 361
Segment revenues	72 213 015	731 752	7 130 507	80 075 274
Other income	431 802	56 843	31 426	520 071
Cost of sales	(48 457 074)	(1 815 284)	(4 300 111)	(54 572 469)
Marketing costs	(373 051)	-	-	(373 051)
Other gains and losses	(30 706 544)	(10 446)	(25)	(30 717 015)
Administration expenses	(12 988 076)	(120 439)	(1 125 886)	(14 234 401)
Gain on net monetary position	14 262 814	-	-	14 262 814
Segment operating (loss)	(5 617 114)	(1 157 574)	(605 450)	(7 380 138)
Segment assets	82 574 979	531 162	3 749 456	86 855 598
Segment liabilities	50 012 211	1 514 720	979 151	52 506 083
2021				
Revenue				
From external customers	29 298 025	589 596	2 531 438	32 419 059
From other segments	-	28 271	781 032	809 303
Segment revenues	29 298 025	617 867	3 312 470	33 228 362
Other income	84 727	22 901	72 355	179 983
Cost of sales	(21 955 663)	(1 049 932)	(2 353 724)	(25 359 320)
Marketing costs	(169 587)	-	-	(169 587)
Other gains and losses	(3 108 200)	-	-	(3 108 200)
Administration expenses	(6 627 046)	(114 682)	(936 839)	(7 678 566)
Impairment of assets	-	-	-	-
Gain on net monetary position	3 915 058	-	-	3 915 058
Segment operating loss	1 437 314	(552 116)	(686 771)	198 427
Segment assets	59 539 505	46 559	263 097	59 849 161
Segment liabilities	29 718 940	1 100 795	1 014 632	31 834 367
HISTORICAL COST				
2022				
Revenue				
From external customers	55 609 582	559 797	3 848 466	60 017 845
From other segments	-	-	2 341 361	2 341 361
Segment revenues	55 609 582	559 797	6 189 827	62 359 206
Other income	360 987	43 742	19 531	424 260
Cost of sales	(35 927 375)	(1 162 807)	(3 068 658)	(40 158 840)
Marketing costs	(281 141)	-	-	(281 141)
Other gains and losses	(22 841 621)	7 552	25	(22 834 044)
Administration expenses	(12 235 945)	(90 032)	(639 689)	(12 965 666)
Segment operating (loss)/profit	(15 315 513)	(641 748)	2 501 036	(15 797 586)
Segment assets	27 974 055	449 396	1 885 675	30 309 127
Segment liabilities	38 259 530	1 514 720	979 151	40 753 401
2021				
Revenue				
From external customers	6 819 229	134 207	551 758	7 505 194
From other segments	-	8 224	227 203	235 427
Segment revenues	6 819 229	142 431	778 961	7 740 621
Other income	21 787	5 333	17 058	44 178
Cost of sales	(5 124 096)	(249 748)	(553 563)	(5 927 407)
Marketing costs	(40 878)	-	-	(40 878)
Other gains and losses	( 781 117)	322	-	( 780 795)
Administration expenses	(1 686 885)	6 832	(179 843)	(1 859 896)
Segment operating loss	(791 960)	(94 830)	62 613	(1 059 604)
Segment assets	10 671 000	13 544	76 535	10 761 079
Segment liabilities	6 706 760	320 222	295 157	7 322 139

The Administrator currently identifies the Company’s three business lines 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.

The Company’s revenues from external customers are divided into the following geographical areas:

Sales within Zimbabwe	75 304 097	31 495 215	57 934 713	7 278 985
Sales elsewhere in Sub-Saharan Africa	2 429 816	923 844	2 083 132	226 209
Total revenue	77 733 913	32 419 059	60 017 845	7 505 194





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6	OTHER INCOME	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Insurance claims	62 693	-	56 335	-
	Rental income	31 430	72 355	19 536	17 061
	Sale of scrap metal	84 038	12 860	47 102	2 662
	Hire of Equipment & Labour	232 121	-	224 736	-
	Sundry income	109 789	94 768	76 551	24 455
		520 071	179 983	424 260	44 178
7	OTHER LOSSES AND GAINS	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Fair value adjustment on investment property	-	-	-	-
	Foreign exchange loss	(30 717 015)	(3 108 200)	(22 834 044)	(780 795)
		(30 717 015)	(3 108 200)	(22 834 044)	(780 795)
8	FINANCE COSTS	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Interest on loans and overdrafts	1 490 016	436 210	932 240	108 862
	Interest on loans and overdraft comprise of interest charged on the Government of Zimbabwe treasury bills at a rate of 7% per annum , ZAMCO and EXIM loan and finance lease facilities at an interest rate of 7% and LIBOR + 3.5% per annum respectively.				
9	SHARE OF PROFIT/(LOSS) FROM EQUITY ACCOUNTED INVESTMENTS	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Included in this amount is the Company's share of profit/(loss) after tax from:				
	Clay Products (Private) Limited	4 645	(19 326)	4 645	(1 414)
	Zimchem Refineries(Private) Limited	-	-	-	-
	Hwange Coal Gasification Company	-	-	-	-
		4 645	(19 326)	4 645	(1 414)
	Audited financial information for Hwange Coal Gasification Company, Zimchem (Private) Limited and Clay products (Private) Limited were not available at the date of publication.				
10	LOSS BEFORE TAX	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Expected credit losses	431 542	(127 651)	431 542	(37 134)
	Amortisation	-	22 757	-	53
	Audit fees	58 195	58 126	41 528	+13 894
	Depreciation on property, plant and equipment (note 13)	529 184	1 871 457	462 062	429 356
	Impairment of assets (note 13)	-	52 454	-	9 040
	Admin fees	2 332 017	972 573	1 800 535	225 156
	- Executive Directors	608 434	86 858	176 994	15 122
	Employee benefits expense	21 817 401	9 236 063	12 013 356	1 454 739
	Employee benefit expense amounting to ZWL 3 898 104 160 (2021: ZWL 781 316 000 ) was charged directly to cost of sales. In the inflation adjusted accounts, an amount of ZWL 13 400 121 097 (2021: ZWL 1 078 156 000 ) was charged to cost of sales.				
11	INCOME TAX	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
11.1	Current tax:	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Current tax	-	-	-	-
	Deferred tax	(236 817)	(355 431)	(130 399)	(80 125)
	Income tax credit	(236 817)	(355 431)	(130 399)	(80 125)
11.2	Tax reconciliation:	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Profit/(Loss) before tax	(8 865 509)	(257 109)	(16 725 361)	(1 169 880)
	Notional tax thereon at a rate of 24.72%	(2 191 554)	(63 557)	(4 134 509)	( 289 545)
	Tax effect of:				
	Non deductible/(taxable) items				
	- Income not subject to tax	(218 564)	(48 467)	(118 058)	(13 678)
	- Expenses not deductible in determining tax	2 617 161	1 282 406	4 191 177	300 327
	Effect of assessed loss on taxable income	(443 860)	(1 525 813)	(75 434)	(77 229)
	Income tax (credit)/expense	(236 817)	(355 431)	(130 399)	(80 125)
11.3	Deferred tax movement	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Balance at 1 January	13 990 428	14 345 859	2 131 329	2 211 454
	Movement through other comprehensive income	-	-	-	-
	Movement through profit/loss	(236 817)	(355 431)	(130 399)	(80 125)
	Balance at 31 December	13 753 611	13 990 428	2 000 930	2 131 329

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11.4	Deferred tax Liabilities:	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Capital allowances and other				
	Balance at 1 January	24 377 607	17 050 951	2 831 348	700 019
	Movement	2 081 055	7 326 656	2 081 055	2 131 329
	Balance at 31 December	26 458 662	24 377 607	4 912 403	2 831 348
11.5	Deferred tax assets:	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Assessed loss				
	Balance at 1 January	(3 018 381)	(1 918 875)	(802 189)	(441 157)
	Movement	(319 847)	(1 099 506)	671 790	(361 032)
	Balance at 31 December	(3 338 228)	(3 018 381)	(130 399)	(802 189)
	As at year end, the Company had cumulative historic assessed tax losses amounting to ZWL 156 987 000 (2021: ZWL 34 697 000 ).				
12	EARNINGS/(LOSS) PER SHARE	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
12.1	Basic	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Profit/(loss) attributable to shareholders	(8 628 692)	98 317	(16 594 562)	(1 089 755)
	Weighted average number of ordinary shares in issue	183 721	183 721	183 721	183 721
	Basic earnings/(loss) per share	(46.97)	0.54	(90.33)	(5.93)
	Basic earnings/(loss) per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.				
12.2	Diluted	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Earnings/(loss) used to determine diluted earnings/(loss) per share	(8 628 692)	98 317	(16 594 962)	(1 089 755)
	Weighted average number of ordinary shares in issues	183 721	183 721	183 721	183 721
	Diluted(loss)/earnings per share	(46.97)	0.54	(90.33)	(5.93)
	Headline earnings/(loss) per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing the headline earnings/(loss) shown below by the number of shares in issue during the year:				
	IAS 33 -Loss for the year	(8 628 692)	98 317	(16 594 962)	(1 089 755)
	Non - recurring items:				
	Proceeds on sale of scrap	(84 038)	(18 120)	(47 102)	(2 662)
	Impairment of assets/(reversal)	-	-	-	9 040
	Tax effect of the above	20 799	4 485	11 858	(1 579)
	Headline (loss)/earnings	(8 691 931)	84 682	16 630 406	(1 084 956)
	Weighted average number of ordinary shares in issue	183 721	183 721	183 721	183 721
	Headline earnings/(loss) per share	(47.31)	0.46	(90.52)	(5.91)
12.3	Diluted headline earnings/(loss) per share	INFLATION ADJUSTED		HISTORICAL COST	
		2022	2021	2022	2021
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000
	Profit/(loss) used to determine diluted headline loss per share	(8 691 931)	84 694	(16 630 406)	(1 084 956)
	Weighted average number of ordinary shares in issue	183 721	183 721	183 721	183 721
	Diluted headline loss per share	(47.31)	0.46	(90.52)	(5.91)





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PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings ZWS 000	Plant, machinery and & movables ZWS 000	Motor vehicles ZWS 000	Capital work in progress ZWS 000	Total ZWS 000
Year ended 31 December 2022					
Cost/gross carrying amount					
Balance at 1 January	46 190 599	19 481 062	1 063 937	640 473	67 376 071
Additions	8 618	132 272	303 081	112 308	556 279
Reclassification of assets	24 453	1 014	507	(32 870)	(6 896)
Balance as at 31 December	46 223 670	19 614 348	1 337 525	719 911	67 925 454
Depreciation and impairment					
Balance at 1 January	2 813 817	4 318 453	283 908	110 732	7 526 910
Depreciation charge for the year	533 535	216 275	79 374	-	829 184
Balance as at 31 December	3 347 352	534 728	363 282	110 732	8 356 094
Carrying amount as at 31 December	42 876 318	15 079 620	1 004 243	609 179	59 569 360
Year ended 31 December 2021					
Cost/ gross carrying amount					
Balance at 1 January	46 190 599	19 493 881	965 433	620 690	67 270 603
Additions	-	76 751	98 504	20 598	195 853
Reclassification of assets	-	(89 570)	-	(815)	(90 385)
Balance as at 31 December	46 190 599	19 481 062	1 063 937	640 473	67 376 071
Depreciation and impairment					
Balance at 1 January	1 558 340	3 832 129	154 252	58 278	5 602 999
Depreciation charge for the year	1 255 477	486 324	129 656	-	1 871 457
Impairment	-	-	-	52 454	52 454
Balance as at 31 December	2 813 817	4 318 453	283 908	110 732	7 526 910
Carrying amount at 31 December	43 376 782	15 162 609	780 029	529 741	59 849 161
HISTORICAL COST					
Year ended 31 December 2022					
Cost/gross carrying amount					
Balance at 1 January	10 395 555	849 851	178 491	87 950	11 511 847
Additions	4 199	64 450	147 677	47 827	264 153
Reclassification of assets	24 453	1 014	507	(25 974)	-
Balance as at 31 December	10 424 207	915 315	326 675	109 803	11 776 000
Depreciation and impairment					
Balance at 1 January	379 784	319 985	39 608	11 391	750 768
Depreciation charge for the year	297 312	120 519	44 231	-	462 062
Balance as at 31 December	677 096	440 504	83 839	11 391	1 212 830
Carrying amount at 31 December	9 747 111	474 811	242 836	98 412	10 563 170
Year ended 31 December 2021					
Cost/ gross carrying amount					
Balance at 1 January	10 389 096	847 212	154 414	82 195	11 472 917
Additions	6 459	18 760	24 077	5 992	55 288
Reclassification of assets	-	(16 121)	-	(237)	(16 358)
Balance as at 31 December	10 395 555	849 851	178 491	87 950	11 511 847
Depreciation and impairment					
Balance at 1 January	91 748	208 411	9 862	2 351	312 372
Depreciation charge for the year	288 036	111 574	29 746	-	429 356
Impairment	-	-	-	9 040	9 040
Balance as at 31 December	379 784	319 985	39 608	11 391	750 768
Carrying amount at 31 December	10 015 771	529 866	138 883	76 559	10 761 079



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INVESTMENT PROPERTY

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZWL 000	2021 ZWL 000	2022 ZWL 000	2021 ZWL 000
Valuation at 1 January	4 102 360	3 989 895	458 433	442 075
Reclassification of assets	-	112 465	-	16 358
At 31 December	4 102 360	4 102 360	458 433	458 433

Investment property is comprised of as follows:  
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.

Land situated at Stand 384, Marvel Township, Bulawayo with a residential building thereon.

Note 29.1 sets out how the fair value of the investment properties has been determined.

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

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZWL 000	2021 ZWL 000	2022 ZWL 000	2021 ZWL 000
Rental income	31 430	72 355	19 536	17 061

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INVESTMENTS ACCOUNTED FOR USING  
THE EQUITY METHOD

Investments in associates (note 15.1)	4 645	-	4 645	-
Investments in joint venture (note 15.2)	2 271 348	2 271 348	14 753	14 753
	2 275 993	2 271 348	19 398	14 753

Investments accounted for using the equity method (continued)

15.1 Investments in associates				
Carrying amount as at 1 January	-	2 252	-	1 414
Share of profit/loss	4 645	(2 252)	4 645	(1 414)
Carrying amount as at 31 December	4 645	-	4 645	-

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

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

15.2 Investment in joint venture				
Carrying amount as at 1 January	2 271 348	2 271 348	14 753	14 753

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MINING RIGHTS

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

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INVENTORIES - NON CURRENT PORTION

Balance at 1 January	1 098 488	1 453 915	4 945	6 545
Sales	(57 312)	(355 427)	(258)	(1 600)
Balance at 31 December	1 041 176	1 098 488	4 687	4 945
Balance at end of year is classified as follows:				
Non-current portion				
Current portion (included in inventories note 18)	1 041 176	1 098 488	4 687	4 945
	350 317	293 227	1 577	1 320
	1 391 493	1 391 715	6 264	6 265

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

No coal fines were written down in 2022: ZWL nil (2021: ZWL nil).

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INVENTORIES

Raw materials/consumables	2 032 407	1 347 862	612 530	191 493
Finished goods				
- Coal	8 283 195	3 313 557	8 283 195	963 916
- Coal fines (note 18)	350 317	293 227	1 577	1 320
	10 665 919	4 954 646	8 897 302	1 156 729

During the year ended 31 December 2022, a total of ZWL nil (2021: ZWL55 962 918) worth of inventories was included in profit and loss as an expense resulting from write down of inventories to net realisable value.





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TRADE AND OTHER RECEIVABLES

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZWL 000	2021 ZWL 000	2022 ZWL 000	2021 ZWL 000
Trade receivables, gross	8 301 742	2 255 155	8 301 742	656 026
Allowance for credit losses	(542 248)	(380 563)	(542 248)	(110 706)
Trade receivables, net	7 759 494	1 874 592	7 759 494	545 320
Other receivables	826 716	1 481 781	826 716	431 051
	8 586 210	3 356 373	8 586 210	976 371

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

Included in trade receivables is an amount of ZWL 62 500 609 (2021: ZWL 62 743 043) relating to related party receivables.

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

All of the Company's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an increase in allowance for credit losses of (2022:ZWL 431 542 000) has been recognised. The current year ECL reduced as result of more debtors during the last quarter of the year majority of these were in december which has a lower probability of default. The movement in the allowance for credit losses can be reconciled as follows:

Balance 1 January	380 563	508 214	110 706	147 840
Increase/(Decrease) in allowance for credit losses	161 685	(127 651)	431 542	(37 134)
Balance 31 December	542 248	380 563	542 248	110 706

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RELATED PARTY BALANCES AND TRANSACTIONS

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

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
<b>Related party receivables:</b>				
Hwange Coal Gasification Company	62 493 298	214 826 933	62 493 298	62 493 298
Clay Products (Private) Limited	5 209	-	5 209	-
Zimchem Refineries (Private) Limited	2 102	858 523	2 102	249 745
	62 500 609	215 685 456	62 500 609	62 743 043
<b>Related party payables:</b>				
Hwange Coal Gasification Company	-	-	-	-
Clay Products (Private) Limited	-	4 978 366	-	1 448 210
Zimchem Refineries (Private) Limited	-	-	-	-
	-	4 978 366	-	1 448 210

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CASH AND CASH EQUIVALENTS

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

Bank and cash balances	880 674	345 541	880 674	100 518
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SHARE CAPITAL AND RESERVES

22.1

Authorised

204 000 000 Ordinary shares of ZWL0.25 each	12 399 580	12 399 580	51 000	51 000
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Issued and fully paid

110 237 432 Ordinary shares of ZWL0.25 each	6 700 480	6 700 480	27 559	27 559
5 925 699 Ordinary shares issued under share option scheme	368 108	368 108	1 514	1 514
67 557 568 “A” Ordinary shares of ZWL0.25 each	4 106 302	4 106 302	16 889	16 889
	11 174 890	11 174 890	45 962	45 962

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BORROWINGS

23.1

Long term loans

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
Government of Zimbabwe	12 971 606	608 932	12 971 606	177 137
Zimbabwe Asset Management Corporation (ZAMCO)	-	21 070	-	6 129
Pick n Pay	45 425	-	45 425	-
	13 017 031	630 002	13 017 031	183 266

23.2

Short term loans

Pick n Pay	-	182 957	-	53 222
	-	182 957	-	53 222

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BORROWINGS

23.3

Borrowing terms

Government of Zimbabwe

In 2014, the Company obtained a loan of USD 13 005 760 from the Export Import bank of India (EXIM), for the purposes of financing the purchase of coal mining equipment. The Export Import Bank of India (EXIM) loan was guaranteed by the Reserve Bank of Zimbabwe, with interest being charged at a rate of LIBOR + 3.5 % p.a. In terms of an arrangement between Export Import bank of India (EXIM) and the Government of Zimbabwe in February 2019, the Government of Zimbabwe took over the responsibility of settlement of the loan to Export Import bank of India (EXIM), with the Company indebtedness in respect of this USD denominated loan now being to the Government of Zimbabwe.

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

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

Zimbabwe Asset Management Corporation (ZAMCO)

Zimbabwe Asset Management Corporation (ZAMCO) took over ZWL 16 201 625 (principal and interest) outstanding on the BancABC loan on 1 September 2015 in a debt restructuring exercise. However, this amount was converted through the scheme of arrangement to a debenture amounting to ZWL 15 571 475 from 14 December 2017. The interest is charged on the debenture at the rate of 7% per annum on the daily debit balance and compounded semi annually. The maturity date for the debenture is 14 December 2025.

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TRADE AND OTHER PAYABLES- LONG TERM

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
Trade	17 933 070	9 525 980	17 933 070	2 771 114
Other	5 389	-	5 389	-
	17 938 459	9 525 980	17 938 459	2 771 114
<b>Trade and other payables- Current</b>				
Trade	4 516 821	3 704 625	4 516 821	1 077 678
Other	1 203 893	1 023 755	1 203 893	297 811
	5 720 714	4 728 380	5 720 714	1 375 489

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INCOME TAX LIABILITY

	INFLATION ADJUSTED		HISTORICAL COST	
	2022 ZW\$ 000	2021 ZW\$ 000	2022 ZW\$ 000	2021 ZW\$ 000
Balance at 1 January	4 148	34 565	4 148	10 055
Movement	(2 867)	(20 306)	(2 867)	(5 907)
Balance at 31 December	1 281	14 259	1 281	4 148

26

PROVISIONS

Provision for rehabilitation (note 26.1)	219 248	731 046	219 248	212 662
Other provisions (note 26.2)	1 855 736	2 031 309	1 855 736	590 909
	2 074 984	2 762 355	2 074 984	803 571

26.1

Provision for rehabilitation

At 1 January	212 662	625 195	212 662	181 870
Charged to profit or loss:				
Additional provisions made during the year	6 586	105 851	6 586	30 792
At 31 December	219 248	731 046	219 248	212 662

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

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

26.2

Other provisions

Death benefits	171 510	152 467	171 510	44 353
Ministry of Mines	21 224	898 248	21 224	261 301
Leave pay and bonus provisions	1 663 002	980 594	1 663 002	285 255
	1 855 736	2 031 309	1 855 736	590 909





Hwange Colliery Company Limited

ABRIDGED AUDITED  
FINANCIAL RESULTS

For the year ended 31 December 2022



ABRIDGED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

27 GOING CONCERN

The Company is experiencing the following challenges which have an effect on its ability to continue operating as a going concern:

27.1 Hwange under reconstruction

In October 2018 Hwange Colliery Company was put under reconstruction in terms of section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (chapter 24:27). This was done to rescue the company from the difficulties the company was facing. The company has managed to overcome bottlenecks, clear most of its legacy debts and increase production and sales.

27.2 Low machine availability

The Company experienced low machine availability mainly as a result of technical challenges faced in operating the equipment and inadequate working capital.

In view of the above, the Administrator has assessed the ability of the Company to continue to operate as a going concern and are of the view that the preparation of these financial statements on a going concern basis is appropriate as supported by the following plans which are intended to address these challenges:

27.2.1 Comprehensive production and sales plan

The company has put in place strategies to increase production and sales. It entered into an equipment mobilisation agreement, that will result in the company getting new equipment in excess of USD 15 million in the next two years. This plan will see 3 main underground mine producing an average of 50 000 MT per month of high value coking from mid year 2023. In addition the agreement has a washing plant to increase the washing capacity of high value coking coal.

The company has also engaged new mining contractors to open three new opencast pits to guarantee coking coal annual production of 772,000 tonnes per year.

On the coal processing front, the company acquired two new washing plants that will be commissioned during the second half of 2023. The washing plants will be located near the mining areas to reduce hauling and processing costs.

The coal production increased by 63% during the period under review. The sales volume also increased by 45% compared to prior year. Despite the remarkable increase in production and sales compared to the previous year. The underground mine section was affected by delays in commissioning of new equipment. The market for NPD (nuts, peas, and duff) and Duff products was depressed. Going forward, the Company intends to continue increasing coking coal production and sales, which will in turn increase capacity to discharge obligations to creditors as well as create a positive balance sheet in the medium term.

27.2.2 Cost control and working capital management strategies

The company will also continue with the already implemented tight cost control and working capital management system which is allocating most of the cash resources towards the operations requirements. This will ensure that the company will only spend what they have generated. This will be achieved by ensuring that most customers will be paying upfront on all their orders and also paying most creditors upfront. This will stop the ballooning of liabilities which has pushed the company into negative net current assets position.

27.2.2 Continuing with the scheme of arrangement

The company will continue with the scheme of arrangement agreed payment plan to creditors although the time lines maybe be adjusted a bit through engagements with all the creditors.Subsequent to year end the company commenced setting aside funds towards repayment of foreign debentures.

AUDITORS STATEMENT

These abridged financial statements derived from the audited financial statements of Hwange Colliery Company Limited for the financial year ended 31 December 2022, should be read together with the complete set of audited financial statements of the Company, for the year ended 31 December 2022, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) and the auditor’s report signed by Trevor Mungwazi, Registered Public Auditor 0622.

A qualified opinion has been issued on the audited financial statements of the Company, for the year then ended. The qualified opinion was issued regarding non- compliance with IAS 21 - The Effects of Changes in Foreign Exchange Rates in the prior financial year, IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, financial results of equity accounted investments included in the financial statements not audited, non-compliance with International Accounting Standards (IAS) 40 – Investment Property, completeness of borrowings and going concern.

The auditor’s report includes a section on key audit matters outlining matters that in the auditor’s professional judgement, were of most significance in the audit of the financial statements. The key audit matters were with respect to revenue recognition, adequacy of the allowance for credit losses valuation of inventory for coal and coal related products.

The auditor’s report on the financial statements and the full set of the audited inflation adjusted financial statements, is available for inspection at the Company’s registered office and the auditor’s report has been lodged with the Zimbabwe Stock Exchange.







## INDEPENDENT AUDITOR'S REPORT

### Grant Thornton

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### To the members of Hwange Colliery Company Limited

### Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the inflation adjusted financial statements of Hwange Colliery Company Limited as set out on pages 13 to 54, which comprise the inflation adjusted statement of financial position as at 31 December 2022, the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of Hwange Colliery Company Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Qualified Opinion

***Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 - Accounting Policies, Changes in Accounting Estimates and Errors***

During the prior financial years, the foreign currency denominated transactions and balances of the Company were translated into ZWL using the interbank exchange rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year annual financial statements was modified in respect of this matter



and the misstatements have not been corrected in the annual financial statements for the year ended 31 December 2022.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the financial statements may be misstated. Our opinion on the current year financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period. As a result of the residual effects of the non-compliance with IAS 21 and the non-restatement of the comparative figures in accordance with IAS 8, the retained earnings may contain misstatements.

The effects of the above non-compliance with International Financial Reporting Standards were considered to be material but not pervasive to the financial statements.

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

As described in **note 15** to these financial statements, the financial statements of Hwange Coal Gasification Company (Private) Limited a joint venture arrangement in which the company holds, were not audited and as a result the share of profit or loss from the joint venture has not been included in these financial statements.

In addition, the financial statements for Zimchem Refiners (Private) Limited and Clay Products Limited were unaudited. Accordingly, we were unable to determine whether any adjustments might be necessary to the share of profit from equity accounted investments, and the effect this might have on the financial statements.

***Non-compliance with International Accounting Standard (IAS) 40 - Investment property***

These financial statements include investment property carried under the fair value model. The valuation of investment property was last performed by independent professional valuers in 2020. No valuation was performed during the year ended 31 December 2022 to subsequently re-measure the investment property at fair value. This constitutes a departure from IAS 40 which requires fair value as at 31 December 2022 to reflect the actual market state and circumstances as of the balance sheet date, as given by current prices on an active market for similar property in the same location and condition. The financial effects of the non-compliance could not be determined.



### *Completeness of borrowings*

As disclosed in **note 23.3** to these financial statements, included in borrowings is an amount of **ZWL 12 971 605 112** in respect of a long outstanding United States Dollar denominated loan. Responses to request for confirmations of the loan balance were not received. We were unable to confirm the completeness of the loan balance by alternative means. Consequently, we were unable to determine whether any adjustments to the borrowings were necessary and to determine the effects that this would have on the financial statements.

### *Going concern*

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

Subsequent to this and as described in **note 29** of these financial statements, Hwange Colliery Company Limited was placed under reconstruction in terms section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27) in October 2018. This was done to rescue the Company from the financial difficulties it was facing, which at the time had resulted in the total liabilities of the Company exceeding its total assets. The Company's ability to honour its obligations in terms of the Scheme of Arrangement is dependent on the extent to which the Company would be able to successfully implement turn around initiatives which would enable it to generate sufficient cash flows.

As more fully disclosed in **note 29** to these financial statements the Company's Administrators have amongst other turnaround initiatives:

- Continued with the implementation scheme of arrangement entered into with creditors.
- Implemented tight cost control, working capital management measures and subsequent to year end commenced setting aside funds towards repayments of foreign debentures.
- The Company has also engaged new mining contractors to open three new opencast pits to guarantee coking coal annual production of 772 000 tonnes per year.
- On the coal processing front, the Company acquired two new washing plants that will be commissioned during the second half of 2023. The washing plants will be located near the mining areas to reduce hauling and processing costs.



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 Administrators.

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

### **Key Audit Matters**

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



Key Audit Matter	How our audit addressed the key Audit Matter
<p><b>Valuation of inventory for coal and coal related products</b></p> <p>The inventory of the Company includes coal and coal related products and most of the costs of production are fixed costs. The Company is currently operating at below full capacity and there is a risk that the unit cost of production exceeds the net realisable value of the coal and coal related products upon sale to customers.</p> <p>The Company sells coal fines to cement and brick manufactures and has included in its inventories, coal fines valued at <b>ZWL1391545 298</b> as at 31 December 2022. Coal fines are a by-product from crushing and processing of coal various sizes of coal products.</p> <p>The valuation of coal and coal related products has been considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Our audit procedures included attendance at year-end physical inventory counts to observe how management and the experts/surveyors involved quantified the inventory.</li> <li>• We considered the competence of the surveyors as evidenced by certification, license or recognition by the appropriate professional board.</li> <li>• We reviewed the results of their reports, and sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities.</li> <li>• We reviewed the methods and assumptions used by the experts.</li> <li>• We reviewed the most recent prices at which coal and coal related products had been sold to customers and verified whether the inventory was carried at the lower of cost and net realisable value.</li> <li>• Reviewed the financial statements to ascertain whether the inventory for coal and coal related products had been correctly classified as either current or non-current assets.</li> <li>• Inspected the financial statements to ascertain whether management had made appropriate disclosures with regards to coal and coal related products.</li> <li>• We are satisfied that coal and coal related products, including coal fines, have been properly classified and accounted for in the financial statements.</li> </ul>



### Revenue recognition

There is a presumed risk of fraud with regards revenue recognition as guided by International Standard on Auditing (ISA) – 240 (Revised) – *The Auditor's Responsibilities Relating to fraud in the Audit of Financial Statements*. There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Company. This is a significant risk and accordingly a key audit matter.

- Our audit procedures incorporated a combination of tests of the Company's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following:
- Reviewed that revenue recognition criteria are appropriate and in line with the requirements of IFRS 15 – *Revenue from contracts with customers*.
- Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period.
- Tested design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions.
- Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review.
- The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation).
- Analytical procedures and assessed the reasonableness of explanations provided by management.
- We satisfied ourselves that the revenue recognition is appropriate.



<p><b>IFRS 9 Expected credit risk allowance</b></p> <p>The Company's Expected Credit Loss (ECL) allowance for the year ended 31 December 2022 was <b>ZWL 542 248 108 (2021: ZWL 110 706 276)</b>.</p> <p>(Refer to <b>note 19</b> to the financial statements).</p> <p>This was considered area of focus as IFRS 9- <i>Financial instruments</i> is a complex accounting standard which requires management to exercise significant judgement using subjective assumptions when determining both timing and amounts of the impairment provision for trade receivables.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> <li>• The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model;</li> <li>• Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation); and</li> <li>• The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.</li> </ul>	<ul style="list-style-type: none"> <li>• Our procedures in assessing management's allowance for credit losses, which included the following:</li> <li>• We performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9;</li> <li>• We assessed and tested the material modelling assumptions with a focus on the:</li> <li>• Key modelling assumptions adopted by the Company; and</li> <li>• Reliability of the historical data collected.</li> <li>• We examined a sample of exposures and performed procedures to evaluate the: <ul style="list-style-type: none"> <li>i. Timely identification of exposures with a significant deterioration in credit quality; and</li> <li>ii. Expected loss calculation for exposures assessed on an individual basis.</li> </ul> </li> <li>• We assessed the accuracy of the disclosures in the financial statements.</li> </ul> <p>Based on our audit work performed, the assumptions used by management and the rates calculated were appropriate and reflected the current environment.</p>
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### Other information

The Administrators are responsible for the other information. The other information comprises the Administrators' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is



higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

**Report on other legal and regulatory requirements**

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

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

Grant Thornton

Trevor Mungwazi  
Partner

Registered Public Auditor (PAAB No: 0622)

Grant Thornton  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors

HARARE

04 May 2023