2019 Annual Report Contents

Company Profile

BACKGROUND

Hwange Colliery Company Limited (formerly Wankie Colliery Company Limited) whose history can be traced back to 1899 is a coal mining Company based in Hwange town, Matabeleland North Province in the north western part of Zimbabwe.

The Company is organised into three divisions of mining, medical services and estates. The mining division incorporates opencast mining, underground mining, coal processing and coke production operations. The Company's medical services division provides medical care for Company staff and Hwange town. It operates a 6 ward hospital, three clinics, a dental surgery and a school of nursing. The Company's estates division provides staff housing, industrial, office and retail leasing, hospitality faclilities as well as recreational and sporting facilites in Hwange town. The division also leases out commercial office space in the Company-owned high rise buildings in Harare and Bulawayo.

BUSINESS

The Company's principal activities are exploration, mining, processing of coal and the production of coke and related by-products. The Company is ISO 9001:2015 certified by the Standards Association of Zimbabwe (SAZ).

OPERATING ASSOCIATE AND JOINT VENTURE COMPANIES

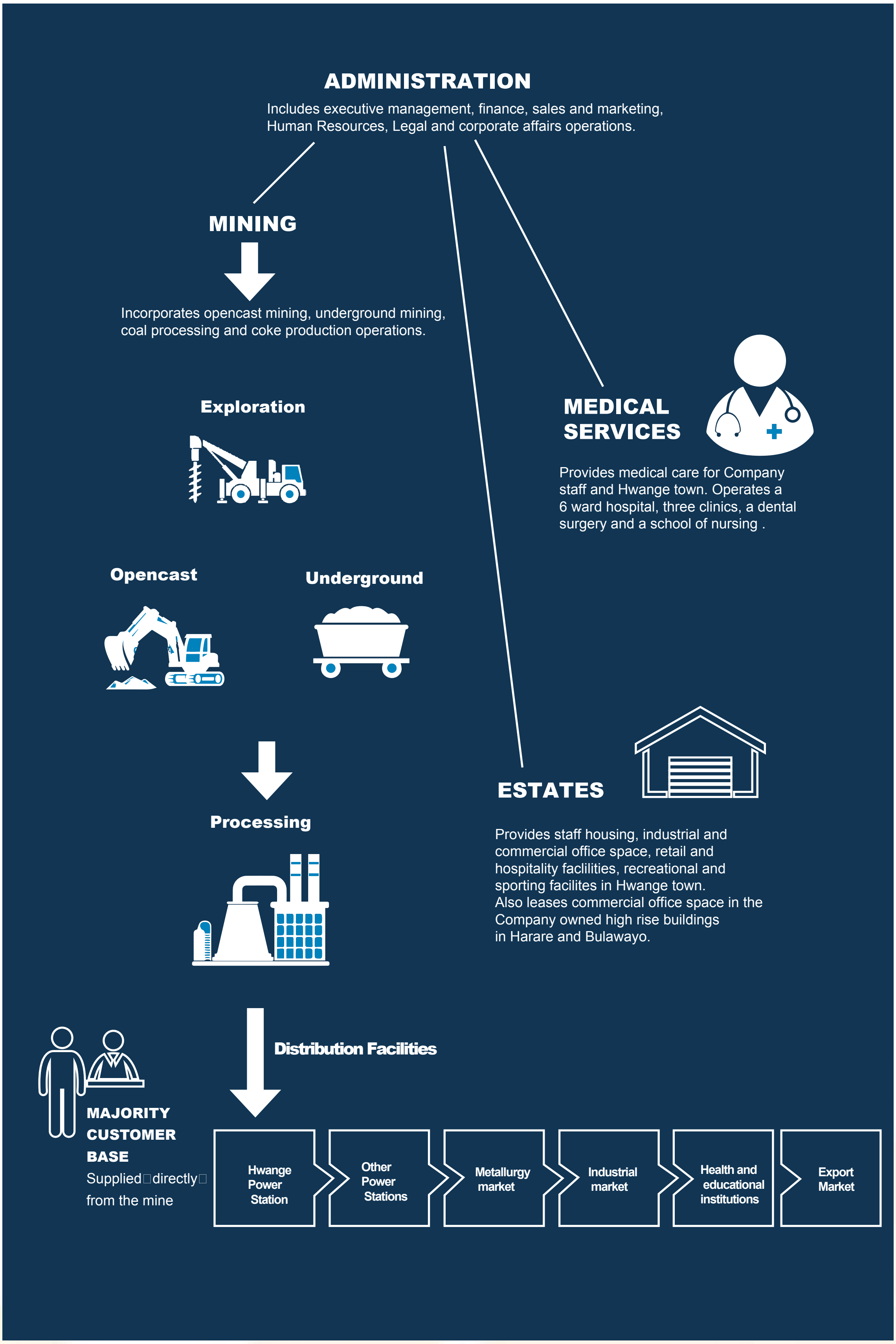
Hwange Coal Gasification Company (Private) Limited
Clay Products (Private) Limited
Zimchem Refineries (Private) Limited

STRATEGIC PRIORITY AREAS

Hwange Colliery Company Limited's current corporate objectives are:

(1) Grow revenues and return to business **Profitability** from the current loss position to US$9m per month by 2021
(2) Ensure **Customer Service Excellence and increase sales volumes** to 835 000 Tonnes per month by 2021
(3) Improve Business **Operational Efficiency** to US$35 per ton by 2021
(4) Ensure adequate **Systems and Human Capital capability** to 5 236 tonnes per man per annum by 2021
(5) To achieve **Safety Health and Environment (SHE) excellence** by maintaining lost time injury frequency rate (LTIFR) at less than 3 and lost time injury severity rate (LTISR) at less than 140;
(6) To adhere to **Good Corporate Governance principles;** and
(7) To **develop and retain critical skills competencies and employee motivation** to maintain competitiveness.

Our Business Model



Vision & Mission Statement

VISION

To Be Number 1 In Coal Mining And Production Of Coal Related Products At The Least Cost In The Region.

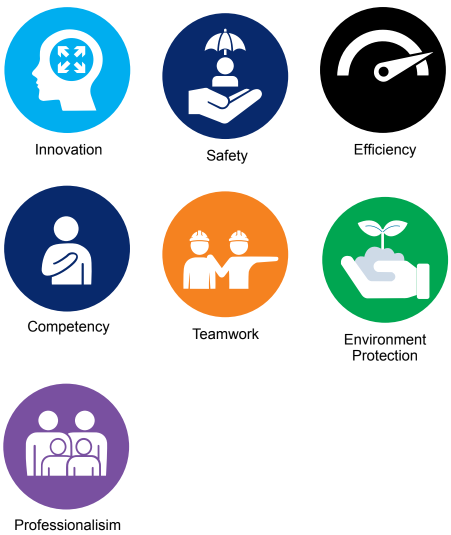
MISSION STATEMENT

To Provide Competitive Coal And Coal Related Solutions To Our Customers Using Modern And Efficient Production Techniques

SHARED VALUES

As the Company delivers on its mission it is guided by its core values which are as follows:

- Innovation
- Safety
- Efficiency
- Competency
- Teamwork
- Execution



Corporate Information

NATURE OF ACTIVITIES

The Company's principal activities are exploration, mining , processing of coal and the production of coke and related by-products in the north western part of Zimbabwe Hwange District in the Matabeleland North Province. The Company is ISO 9001:2015 certified by the Standards Association of Zimbabwe (SAZ).

ADMINISTRATORS

Bheki Moyo	Administrator Effective 26 October 2018
Mutsa M. J. Remba	Assistant Administrator Effective 26 October 2018
Munashe Shava	Assistant Administrator Effective 26 October 2018

EXECUTIVE MANAGEMENT

Dr Charles Zinyemba	Acting Managing Director
Daniel Mbirikira	A/ General Manager (Operations)
Josiah Nduku	A/ General Manager (Finance & Administration)

AUDITORS

Grant Thornton Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road Highlands
P O Box CY 2619
Harare Zimbabwe
www.grantthornton.co.zw

DIRECTORS

Following placement of the Company under administration in terms of section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27), the Board was divested of its powers on 26 October 2018.

BANKERS

BancABC
Stanbic Bank Limited
Ecobank
CBZ

SHARE TRANSFER SECRETARIES

Corpserve (Private) Limited
2nd Floor ZB Centre
Cnr Kwame Nkrumah Avenue/First Street Mall Harare Zimbabwe

ATTORNEYS

Chihambakwe Mutizwa and Partners
Mawere Sibanda Legal Practitioners
Majoko and Majoko Legal Practitioners
Coghlan and Welsh Legal Practitioners

CURRENCY OF FINANCIAL STATEMENTS

Zimbabwean Dollars (ZWL)
Period of account: Year ended 31 December 2019

REGISTERED OFFICES

7th Floor Coal House
17 Nelson Mandela Avenue
P. O. Box 2870
Harare Zimbabwe
www.hwangecolliery.net

Profiles of Administrator and Assistant Administrators

MR. BEKITHEMBA MOYO
ADMINISTRATOR

Mr Bekithemba Moyo is a co – founder and director of DBF Capital Partners an investment holiday company with operations in Southern Africa. Prior to the establishment of DBF, Beki was the group Chief Financial Officer at ABC Holdings the parent company of BancABC.

He is a seasoned banker with banking experience spanning over 20 years. Previously worked in Investment banking, treasury, risk, operations and was also in charge of group IT. His banking career started at Stanbic Bank in Zimbabwe where he was employed as chief accountant.

Prior to joining the banking world Beki trained and qualified as a Chartered Accountant with Deloitte and Touché where he quickly rose to Audit Manager.

He holds a Bachelor of Accountancy (Honours) degree from the University of Zimbabwe, a Master of Business Administration degree in Banking and Finance from, University of Manchester and completed the Harvard Business School's Advanced Management Programme.

Profiles of Administrator and Assistant Administrators

MS MUTSA MOLLIE JEAN REMBA
ASSISTANT ADMINISTRATOR

Ms M.J. Remba is a legal practitioner who has served as Managing Partner of Dube, Manikai & Hwacha Legal Practitioners ("DMH"), a law firm ranked internationally as one of the top Business Law Firms in Zimbabwe between 2014 and 2018.

She has done work in commercial law, mining law and financial services law and has worked on reconstructions, corporate restructurings, business rescue operations as well as mergers and acquisitions, capital raising transactions and debt restructuring and schemes of arrangement.

She is currently part of a team that renders continuing legal advice to multi-lateral lenders in facilities to the Government of Zimbabwe, financial institutions and companies in different sectors of the economy.

Ms Remba holds a Bachelor of Laws Degree Honours from the University of Zimbabwe and is a member of the Law Society of Zimbabwe and the Zimbabwe Women Lawyers Association. Having a prosecutorial background with the Ministry of Justice prior to joining DMH, Mutsa is a capable commercial law litigator and has 14 year litigation experience in the High Court of Zimbabwe.

MR MUNASHE SHAVA
ASSISTANT ADMINISTRATOR

Mr Shava is a mining and mining start-up projects executive with a career spanning over 25 years. Having completed a Mining Engineering diploma in 1993, Mr Shava joined Blanket Mine (now Kinross Gold) where he held the position of mine overseer. In 1997 he joined Anglo American Corporation where he was senior mining superintendent at its AARDCOR Mines before leaving in 2002 to join Zimbabwe Platinum Mines as senior mining engineer in charge of mining contracts and mine planning.

Between 2005 and 2014 Mr Shava held mine managerial positions with River Ranch Diamond Mine NOVENTA LTD Mozambique, Marange Resources and APEX Minerals. He is currently the chief operating officer and project leader of Great Dyke Investments having joined them in 2014.

Mr Shava holds a Master of Science Degree in Leadership and Change Management from Leeds University (UK) an advanced Certificate in Project Management from the University of Cape Town, South Africa as well as a Mining Engineering diploma from the Zimbabwe School of Mines. He has also been the recipient of the Zimbabwe Institute of Management Manager of the Year Awards for 2014 and 2015 as well as recipient of the Megafest Outstanding Man in Business and Business Leadership Awards for 2015.

Profile of Managing Director

DR C ZINYEMBA
ACTING MANAGING DIRECTOR

Dr Zinyemba is a medical practitioner with a career spanning over 30 years. He completed Medical degree training as an Army Cadet in 1986 and did internship (junior doctor) from 1987 to 1988 at Mpilo Hospital and United Bulawayo Hospitals. Between 1989 and 1994 he worked as a medical officer at the army referral hospital at Mbizo Barracks, rising to the rank of major and senior medical officer responsible for running the medical services of the Six Infantry Brigade. In 1994 he left the army for Wankie Colliery Company where he worked as a medical officer before leaving to pursue private interests in 1999.

In 2011 Dr Zinyemba re-joined Hwange Colliery Company Limited Executive Management team as Medical Services Manager responsible for the Medical Services Division. On 5 October 2018 he was elevated to Acting Managing Director a position he holds to date.

Dr Zinyemba is a holder of an Executive Master of Business Administration degree from the National University of Science and Technology (NUST) and is a full member of the College of Primary Care Physicians of Zimbabwe (CPCPZ) and an Associate Member of the Institute of Directors of Zimbabwe (IoDZ).

Administrators' Comment on Annual General Meeting

The provisions of the Reconstruction Act override those of the Companies Act, and consequently, shareholders are notified that they shall receive a separate Administrator's Report and notice to attend the Statutory Meeting of Shareholders in terms of the Reconstruction Act.

Following its placement under administration in terms of the Reconstruction of State-Indebted Insolvent Companies Act ("Chapter 24:27) ("the Reconstruction Act"), the statutory meetings of Hwange Colliery Company Limited are to be held pursuant to the Reconstruction Act. There shall therefore not be an Annual General Meeting during administration, and instead, the Administrator shall call for statutory meetings prescribed by the Reconstruction Act.

Consequently, shareholders are notified that they shall receive a separate Administrator's Report and notice to attend the Statutory Meeting of Shareholders in terms of the Reconstruction Act.

Rugare Dhobbie
Corporate Affairs Manager
& Acting Company Secretary

1 June 2020

Company's Statutory Report

for the year ended 31 December 2019

SHAREHOLDERS WITH 5% OR MORE SHARES

Name	Shareholding (Shares)	Percentage
Government of Zimbabwe	67 555 968	36.77%
Messina Investments Limited [NNR]	30 698 467	16.71%
Mittal Steel African Investments	17 777 034	9.68%
National Social Security Authority	11 445 761	6.23%
Hamilton and Hamilton Trustees LTD-NNR	9 415 970	5.13%

SHARE CAPITAL

Authorised

As at 31 December 2019 the authorised share capital of the Company is 204 000 000 ordinary shares of USD 0.25 each.

Issued and fully paid up shares

The issued share as capital at 31 December 2019 is 183 720 699 ordinary shares of ZWL 0.25 each.

Options

The Administrator has control over the unissued ordinary shares amounting to 20 279 301 of ZWL 0.25 each which are set aside strictly for the Employee Share Option Scheme.

BORROWINGS

As at 31 December 2019 no loans were payable within one year (ZWL545 455 in 2018) .The decrease is attributed to the restructuring of all loans under the scheme of arrangement, particularly the Zimbabwe Asset Management Corporation. The CBZ loan was settled.

PROPERTY, PLANT & EQUIPMENT

Capital expenditure for the year ended 31 December 2019 was ZWL 18 060 942 (ZWL 4 167 008 in 2018) while there were no receipts from disposal of property plant and equipment (2018 – Nil):

The Company's total property, plant and equipment amounted to ZWL 2 473 968 407 (ZWL 80 135 517 in 2018).

DIRECTORATE

The Board was divested of its powers on 26 October 2018 when the Company was placed under reconstruction in terms of section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27).

APPOINTMENT OF ADMINISTRATOR

Hwange Colliery Company was placed under reconstruction in terms of section 4 of the Reconstruction of State-Indebted Insolvent Companies Act (Chapter 24:27) with efferct from 26 October 2018. As a consequence Mr B. Moyo was appointed administrator of the Company. Mr Moyo is assisted by Ms Mutsa M. J. Remba And Mr Munashe Shava.

Company's StatutoryReport (cont'd.)

for the year ended 31 December 2019

INCOME AND APPROPRIATIONS

Hwange Colliery Company Income and Appropriations Statements as at 31 December 2019 stood as follows:

	2019 ZWL	2018 ZWL
(Loss) before finance costs	(150 718 013)	(60 851 729)
Net finance charges	(19 023 411)	(17 614 462
Share of profit from equity accounted investments	-	23 507
(Loss) before taxation	(169 741 424)	(78 442 683)
Taxation	78 631 903	-
(Loss) after taxation	(91 109 521)	(78 442 683)
Accumulated (loss) for the year	(380 872 376)	(302 429 693)
Accumulated (loss) carried forward	(528 147 354)	(380 872 376)

AUDITORS

Members will be asked to re-appoint Messrs Grant Thornton Chartered Accountants (Zimbabwe) as auditors of the Company for the ensuing year and to fix their remuneration excluding Value Added Tax of ZWL$1 559 895 (2018 – ZWL$110 505) for the financial year ended 31 December 2019.

STOCK EXCHANGES

The Company's Listing on the Zimbabwe Stock Exchange was suspended on 2 November 2018 and remains suspended.

BORROWINGS

The borrowings as at 31 December 2019 are summarised as follows:

	2019 ZWL	2018 ZWL
Authorised Borrowings		
Three times Shareholder's equity	-	-
Actual borrowings	180 619 519	171 249 957

The Company's Statutory Report was approved by the Administrator on 27 April 2020 and is signed by:

....

ADMINISTRATOR
B. MOYO

....

ACTING MANAGING DIRECTOR
DR C. ZINYEMBA

Part of the heavy equipment purchased during the year.

Administrator's Statement and Letter

OVERVIEW

The Company was placed under administration by a Reconstruction Order made by the Minister of Justice, Legal and Parliamentary Affairs ("the minister") in terms of the Reconstruction of State-Indebted Companies Act [Chapter 24:27] on or about 26 October 2018. The reasons for this include :

a) Gross losses;
b) Persistent losses over a long period;
c) Negative cash flow;
d) Obsolete and antiquated plant and equipment;
e) Technical insolvency with liabilities significantly exceeding assets;
f) Non payment to creditors as they fell due; and
g) Non payment to employees over a long period of time.

Owing to the above, mining had stopped in August 2018.
On 12 February 2020, the High Court refused to confirm the Reconstruction Order as it found, inter alia, that the 2014 scheme of arrangement with creditors subsisted at the time of the Reconstruction Order and should be allowed to run its course. However, on 27 February 2020, the minister appealed against this decision to the Supreme Court and pending the hearing in the Supreme Court, administration continues as normal.

Whilst a lot of work still needs to be done, it is pleasing to note that mining resumed in April 2019. We report hereunder the progress made to date.

FINANCIAL PERFORMANCE

On a historic cost basis, the Company's performance improved from a gross loss of ZWL 3.3 million for the year ended 31 December 2018 to a Gross profit of ZWL 182 million for the year under review. The net loss position, however, increased from ZWL 78 million to ZWL 91 million due to an exchange loss of ZWL 322 million on legacy foreign creditors. On an inflation adjusted basis, the performance improved from a gross loss of ZWL 21 million and a net loss of ZWL 487 million to a gross profit of ZWL 422 million and after tax profit of ZWL 1.5 billion. .

Revenue increased by 105% from ZWL429 million in 2018 to ZWL 881 million in 2019 on an inflation adjusted basis and on historical basis it increased by 511% from ZWL69.1 million in 2018 to ZWL422.2 million in 2019. This was largely due to a combination of an increase in high value coking coal sales as well as frequent adjustments to product prices in line with changes to the interbank rates which were introduced in February 2019.

PERFORMANCE

Financial performance improved in 2019 against the comparable period in 2018 despite decreased production and sales volumes. This was largely due to a change in the sales mix, which saw high value coking coal production and sales going up by 20% as well as improved product pricing. Production and sales were adversely affected by the shortage of diesel, coupled with unavailability of wagons. There was a production gap of 64% in total coal mined of 1,013,932 tonnes, compared to sales potential of 2,819,298

Administrator's Statement and Letter (cont'd.)

tonnes. The market remains with a high appetite for our product as evidenced by our 2019 order book. The Marketing Department was capacitated by two field vehicles which were purchased during the period under review, and which increased market visibility.

REVIEW OF OPERATIONS

It was encouraging to note that own production increased by 27% during the period under review, despite the overall production decreasing by 43% mainly as a result of contractor production, which decreased by 75%. Over time, less reliance should be placed on contractors with own mining being a priority as it is cheaper and generally more reliable. However the major challenge in achieving this is largely due to lack of both financial and human capital, aspects which will continue to be prioritised going forward. The strategic priorities for the Company's year end were the following;

a) Safety, Health, Environment and Quality

The Company recorded improvements on both lost time injury accidents and property damage incidents in 2019 compared to 2018. A wellness programme was introduced in December 2019 in order to augment efforts towards consolidating all systems through an IBMS programme which is expected to be fully implemented in 2020.

b) Increasing the volume of high value and high margin coking coal

During the year under review, focus was on increasing production and sales of high value coking coal. Coking coal sales increased by 20% from 203 298 tonnes in 2018 to 244 314 tonnes in 2019. The coking coal sales volumes were however, limited by washing capacity constraints as the plant is antiquated and needs retooling, which is currently underway.

c) Opencast Mining

Own opencast operations at JKL Mine produced 449 454 tonnes in 2019 which was an increase of 22% from 2018 production of 366 959 tonnes. Production by the contractor at Chaba Mine dropped by 75% from 1,220,859 tonnes in 2018 to 306 825 tonnes in 2019. As a result overall opencast mine production in 2019 was 52% below that of 2018. This was mainly attributable to low contractor activity and working capital challenges, shortages of diesel in the market and foreign currency to buy spares and explosives. The highlight of the year was the acquisition and commissioning into production of two new state of the art Liebherr excavators to bridge the gap on the aging loading capacity. The excavators have had a significant impact on loading capacity. However, dump truck capacity continues to be a major bottleneck to production as 70% of dump truck capacity went down due to worn out tyres. It should be noted that when the Company was placed under administration production had ceased and this was worsened by the contractor which immediately stopped production due to non-payment of long outstanding invoices.

d) Underground Mining

The underground operation at 3 Main mine produced 268 603 tonnes in 2019, which was an increase of 37% from 2018 production of 196 060 tonnes. The increase was attributable to improved operational funding support and the credit facility availed by the major original equipment manufacturer, Komatsu SA, which has been working well. This was however below the 2019 annual target of 409 500 tonnes, attributable to a shortage of working capital and foreign currency for spares and consumables, mainly imported from South Africa. The mine received and commissioned the 18-seater personnel carrier which reduces fatigue on underground employees who were travelling a long distance. The Continuous Miner (CM) had a major breakdown towards the end of 2019 and was subsequently trammed out of the mine in December 2019 for repairs and opportunistic maintenance works. The CM resumed work in March 2020.

e) Fixed and mobile plant repair and restoration of full capacity

Significant investment has been made in new equipment as well as repairs and maintenance of the existing plant and equipment. Opencast mine was equipped with two excavators and two mine dewatering pumps which significantly improved the loading capacity and pumping capacity. Repair work on the HMS washing plant is at an advanced stage but has been delayed by foreign currency constraints and the plant is expected to be commissioned in the second quarter of 2020. Two buses for employees have also been purchased, with one already received and in use. Two utility vehicles were also purchased for the marketing department.

f) Coke Production

The intended takeover of the Hwange Coal Gasification Company (Private) Limited (HCGC) coke oven battery pursuant to a BOOT agreement with its Chinese partners in HCGC is still pending. The Company is now also considering constructing its own battery in order to tap into the coke market, which has high value and significant foreign currency earning potential.

Administrator's Statement and Letter (cont'd.)

g) **Cost Control**

The Company adopted a low cost high productivity strategy. This has enabled it to significantly reduce its costs. Tight controls remain on costs, but these are affected by exchange rate driven inflation.

OUTLOOK

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

a) **Increasing the volume of high value and margin coking coal**

Apart from the underground mining operations which are producing an average of 35 000 tonnes per month, plans are underway to develop a second underground mining section in the medium term, so that coking coal production will double when the new section is fully operational. In addition, opencast operations at the JKL pit will continue in order to increase high value coking coal in the product mix. It should be noted that at present 50% of production and sales is thermal coal which is currently being sold at a loss. Clearly this is not sustainable and hence the need to aggressively change the mix even if it means lower volumes.

b) **Rebuild or replacement of Hwange Colliery's own coke oven battery.**

The Company's coke oven battery was shut down in mid-2014 in a controlled manner in order to prevent damage to the oven furnaces. Despite many interventions over many years to implement a rolling rebuild, the plant was very old and beyond its economic life. Therefore a process is underway to invite bidders to tender for the full rebuild of the coke oven battery, by-products plant and ancillary plants or the supply of a completely new coke oven battery of the same capacity, together with the by-products and ancillary plant.

b) **Fixed plant repair and restoration of full capacity**

The main thrust as we move into 2020 is to ensure that we fully capacitate our opencast mine by acquiring the required spares to bring back all the trucks on line and sort out the loading capacity which was a bottleneck in 2019. The completion of repair work of the Heavy Medium separation plant (HMS) is also on the high priority list and yhe plant should be commissioned in the second quarter of 2020.

c) **Development of Option Area and Lubimbi**

The life of mine at the current opencast operations is estimated to be less than five years. Therefore the development of the option areas and Lubimbi coal fields to full scale mining operations is critical. The loss of the Western Area Coal Fields is now a threat to the 25 year coal supply agreement which was signed with the Zimbabwe Power Company's Hwange Power Station Stage 3 expansion. There is therefore need for the Company to be allocated an alternative resource to be able to fullfill the agreement which is critical to the electricity supply in the country.

e) **Increase volume of export sales**

Given the deliberate focus on increasing the mix of high value and margin coking coal and coke, the Company will grow its market share in the neighbouring countries. Hwange Colliery's coking coal and coke meets exacting quality specifications in the ferro-chrome industries and smelters. It is therefore currently gathering market information of the ferro-chrome industries in South Africa to try and explore options to export either coking coal or coke into that market. In collaboration with the National Railways of Zimbabwe and Bulawayo Beitbridge Railway (BBR), the Company will develop dedicated solutions for the delivery of coking coal and coke products to customers in the region and within the country.

COVID 19 UPDATE

The Company continues to operate cautiously during the lockdown period which commenced on 31 March 2020 as it is considered to be offering essential services according to SI 83 of 2020. Several measures were taken to ensure the safety of the employees and the other stakeholders. The Company operations were however affected by the pandemic as some customers and suppliers are closed due to lockdown. The Company will continue to operate and is fully aware of the potential risk to the business from the pandemic until it is under control.

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.

B. Moyo
Administrator
10 April 2019

Hwange Colliery Company Limited
Open cast Operations

Managing Director's Operational Review

DR CHARLES ZINYEMBA
ACTING MANAGING DIRECTOR

INTRODUCTION

It is my privilege to present a review of the operations of Hwange Colliery Company Limited for the year ended 31 December 2019.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Safety, health and environment programme are an integral part of how the Company conducts its core business. The main objective is zero harm to the environment, people and equipment.The Company has embraced risk/opportunity based thinking in all its operations with the focus on zero harm.

No fatality was recorded across the company for the year ended 31 December 2019, bringing the total number of fatality free shifts to 1.3 million.

No occupational diseases were recorded during the period under review. Occupational hygiene and medical surveillance programmes continued with the Company attaining high compliance coverage of 95% in pneumoconiosis examinations.

Hwange Colliery Company Limited strives to work in full compliance with all environmental management statutory requirements and, to that end, no significant environmental management statutory requirements violations were recorded in the year.

In the period under review, the Company established an Environmental Management Plan (EMP) to manage the effects of acid mine drainage, which has been identified to pose some risk to the environment, owing to the nature of the Company's operations.

In the period under review, the Company successfully embarked on a Quality Management System transition from ISO 9001:2008 to ISO 9001:2015, a process of incorporating risk-based thinking in all Company operations. The Company's re-certification to ISO 9001:2015 quality management standard was approved by the Standards Association of Zimbabwe. The organisation has also successfully managed to integrate the three quality management systems to form what is called Integrated Business Management System (IBMS). Focus has now shifted to attaining ISO 45001(Occupational Health and safety) and ISO 14001 (Environment) standards.

Managing Directors' Operational Review (cont'd.)

COVID 19 MEASURES

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. In January 2020, the World Health Organization (WHO) declared the novel Coronavirus, COVID-19, as a Public Health Emergency of International concern.

Hwange Colliery Company Limited (HCCL) follows and complies with all Government directives. It is against this background that HCCL has put in place a raft of mitigation measures in line with COVID-19 National Preparedness and Response Plan. Some of the measures include setting up screening sites at identified critical points. Screening is currently being done at Opencast entry point, Hospital gate and General Office entrance. Where screening is not being done, everyone is encouraged to wash/ sanitize hands regularly and religiously.

As for the isolation of suspected Covid-19cases, individuals suspected of infection will be required to self-isolate at home and the surveillance team shall be monitoring them.

ORE RESERVES STATEMENT

The table below shows a reconciliation of the ore reserves of the Company's mines.

	RESERVE (Mt) Million	RESOURCE (Mt)Million
OPENCAST		
JKL	7.9	14.3
Chaba	15.4	51.2
No.1 Pillars	6.6	7.3
No. 3 Pillars	0	51.5
Total Opencast	**29.9**	**124.3**
UNDERGROUND		
3 Main	40.3	172.1
Option Area	0	220.5
Chaba West	0	75.2
Block F	0	16.8
Total Underground	40.3	484.6
GRAND TOTAL	**70.2**	**608.9**

Development of Option Area and Lubimbi

As indicated by the Administrator in his letter to shareholders, the life of mine at the current opencast operations is estimated to be less than five years. Therefore the development of the option areas and Lubimbi coal fields to full scale mining operations is critical. The loss of the Western Area Coal Fields is now a threat to the 25 year coal supply agreement which was signed with the Zimbabwe Power Company's Hwange Power Station Stage 3 expansion. There is therefore need for the Company to be allocated an alternative resource to be able to fullfill the agreement which is critical to the electricity supply in the country.

OPERATIONS

COAL PRODUCTION		
	POWER COAL (Mt)	INDUSTRIAL/COKING COAL (Mt)
3 Main Underground	-	259,001
JKL Pits	214,439	237,750
Contractor (Chaba Pits)	136,392	170,433
Total Coal Produced	**350,831**	**667,184**

Total production amounted to 1,018,015 tonnes of coal and was 49.9% of the budget of 2,038,337 tonnes.

Managing Directors' Operational Review (cont'd.)

MINING

Opencast

Owing to a late start of mining operations following a timed production stoppage to manage coal stockpiles, total coal mined totalled 756,279 tonnes, a 52% decline in production from the previous year. Total coal from HCCL pits was 449,454 tonnes, a 22% increase, while the the Company's supplimentary mining contractor Mota Engil who also started mining late in the year mined a total of 306,825 tonnes, which was a 75% decline in production. A total of 554,619 tonnes of coal was delivered to Hwange Power Station during the course of the year. The coal conveyor delivery system to ZPC continues to be a major bottleneck which requires capital expenditure in due course.

In the period under review the Company acquired two new state-of-the-art Liebherr 980 SME opencast excavators and commissioned them into production to bridge the gap on the aging loading capacity. Whilst the new excavators will loading capacity, low working capital inflows and the shortage of foreign currency to acquire critical spares and consumables will continue to be a severe constraint on Opencast operations.

Underground

In the period under review, underground mining operations produced 268,603 tonnes a 37% improvement as compared to the previous year although 35.5% below the target. The year-on-year increase is attributed to the resuscitation of the Sandvik LHD and the OEM (Komatsu SA) credit facility that was availed to the Company.

Part of the heavy equipment purchased during the year.

The Company acquired and commissioned an underground eighteen seater personnel-man-carrier to reduce the long distances underground employees walked in and out of the mine. This has effeciency and improved working for employees. A personnel change house construction project is also underway and is expected to be completed in the course of the 2020 reporting year.

The Company's underground Continuous Miner (CM) has since been restored to full production following major repairs and opportunistic maintenance works which were carried out after it encountered a major breakdown during the course of the year. The underground Conveyor interlock and communication system was partially commissioned, with full commissioning expected upon acquisition of the control voltage transformers.

Coke Production

The Company is still pursuing a take-over of the Coke oven battery project, pursuant to a BOOT Agreement with its Chinese partners Hwange Coal Gasification Company (HCGC). Ongoing engagements are intent on ensuring that this is achieved without placing risk on the Company. Going forward the Company is looking to place more emphasis and attention on building a Company-owned coke oven battery.

Managing Director's Operational Review (cont'd.)

Processing

A total of 628 727 tons of raw coal was processed at both Chaba and No 2 plants against a target of 1 440 000 tons. A total of 378,090tons HIC/HCC was processed at Chaba during the year under review.

The Jig and floatation plant processed a total of 161,256tons versus a target of 252,000 tons, realising a 64% target achievement due in part to breakdowns on the number 2 feed water pump and the waste elevator buckets. The plant also had challenges on supply of process water from the Runduwe and low haulage capacity. The Wet Screens plant processed a total of 250,637tons a 52% target achievement. Fuel supply was a challenge from the beginning of the year right through the end and it subsequently affected production.

Managing Director's Operational Review (cont'd.)

ESTATES DIVISION

The Division is divided into four segments, namely Real Estate, Retail, Hospitality and Education.

Revenue for the year 2019 including inter-segment sales increased by 202% in 2019 attributed to the prevailing inflationary environment.

Total costs in 2019 were 206% higher than in 2018 at as a result of the increase in electricity costs.
Actions to improve the Division's performance include:

- Increasing commercial space by engaging in BOOT arrangements with potential investors.
- Stringent debt collection to boost cash flows.
- Refurbishment of retail facilities to improve customer experience.
- Diversification of product ranges
- Engaging retail suppliers for consignment stock arrangements.

Planned projects were negatively affected by the unfavourable economic environment. Projects undertaken by the division included -:

- Refurbishment of retail outlets and clubs as part of our ongoing rebranding exercise.
- Completion of the refurbishment and refurnishing of Hwange Angling and Boating Club, an eleven (11) chalet facility on the mighty Zambezi River.
- Construction of a fast food outlet complex along the Bulawayo-Victoria Falls highway.

Managing Director's Operational Review (cont'd.)

MEDICAL SERVICES DIVISION

Revenue was 126% higher than prior year revenue, due to two upward reviews of national tariffs during the year in response to the inflationary environment.

The Division refrained from collecting a co-payment from Cellmed clients and from claiming medical aid shortfalls from the same market segment. This had a profoundly negative impact on revenue generation as this group comprises circa 85% of patient throughput. Costs of consumables also contributed as inflation remained a factor throughout 2019.

The Employee Wellness Programme spearheaded by the Division was successfully launched in December, 2019 following extensive research, bench marking with companies that have launched successful programmes as well as an extensive process of employee consultation and involvement.

Patient Management System

The Medical services division acquired a Patient Management and Administration software system [PMS] which manages billing and management information in the period under review. Implementation of this system is underway.

Staff Training and Development

All professional staff whose licences were expiring in December 2019 renewed their practicing licences after acquiring acceptable professional development points. The Division also provided in-house training which covered all staff groups and grades.

By year end, there were 89 students in training at the Company's School of Nursing.

Managing Director's Operational Review (cont'd.)

IMPROVED EFFICIENCIES AND COMPETITIVENESS

As the Company increases the thrust on the core business of mining, it will also look at ways of allowing other entities and mining companies within the concession to assist in the running of town services such as road maintenance, electrical power distribution and sewage treatment. The adoption of enterprise resource planning systems to automate the administration of the business will also improve efficiencies and lower the cost per tonne of coal produced.

LEGAL AND REGULATORY

The Company endeavours to operate in compliance with national and regional laws and regulations. The areas of interest are safety, fair competition, corporate governance, listing and disclosures, environment, labour and taxation. The Company's reputation is exposed if compliance with laws and regulations are not adhered to. The Company and its officers are expected to conduct business within the confines of the law and regulations.

Owing to the Company's placement under administration in terms of the Reconstruction of State-Indebted Insolvent Companies Act [Chapter 24:27] ("the Reconstruction Act"), no board meetings were held by the Company year under review.

To ensure good corporate governance and statutory compliance, the Company has established policies and procedures to regulate its own processes.

HUMAN RESOURCES, TRAINING AND SKILLS DEVELOPMENT

In the period under review the Company increased its efforts to clear the backlog of employee obligations that fall under the Company's Scheme of Arrangement. These were met and were brought up to date by close of the year.

Investment in manpower training and development continued through on-the-job training, apprenticeship programmes, graduate learner-ship and nurse training. Owing to the Company's commitment to provide training to the youth, a combined total of 203 youths were trained as student nurses, graduate trainees and in apprenticeship.

The workplace climate remained positive and hopeful about the Company's turnaround programme. Management and employee leadership continued to constructively engage through various channels of communication.

As at 31 December 2019 the global staff complement stood at 2022 compared to 2043 in the prior year.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As part of the greater Integrated Business Management Systems drive, Hwange Colliery Company Limited (HCCL) is committed to ensuring distinct Corporate Social Value programs by making donations or rendering other forms of assistance to various stakeholders but with a main focus on clean water supply, education, health, HIV and AIDS, sport, national relief as well as community development projects in the communities we operate.

Kamandama Memorial Golf Tournament

The company hosted the annual Kamandama Memorial Golf Tournament, a collaborative effort from various departments and sponsor companies to raise funds for widows of the Kamandama Mine disaster which took place in 1972.

CONCLUSION

I would like to express my gratitude to the administration team, management and staff for their collective efforts and dedication to the Company. I would also like to thank all our stakeholders and business partners for their invaluable and continued support during the year.

Dr C. Zinyemba
Acting Managing Director
27 April 2020

Hwange Colliery Primary School

Corporate Social Performance


RUGARE DHOBBIE
CORPORATE AFFAIRS MANAGER
& ACTING COMPANY SECRETARY

Hwange Colliery Company Limited has a strong Corporate Social Responsibility (CSR) background that dates back to the early 1900s, substantially contributing to community empowerment. Despite the current harsh macro-economic climate, the Company ensures that it carries out distinct Corporate Social Value programmes by making donations or rendering other forms of assistance to various stakeholders with major focus on education health community development and sport.

NATIONAL RELIEF EFFORTS

Hwange Colliery Company joined hands with government and donated RTGS $20 000 to victims of the catastrophic Cyclone Idai in March 2019.

COMMUNITY DEVELOPMENT

HCCL values community engagements in its approach to CSR and holds liaison meetings with chiefs on a regular basis in order to enable community leaders to take the lead in defining CSR initiatives that respond to their priorities. The five Hwange district chiefs namely Chief Whange, Chief Shana, Chief Nelukoba, Chief Nekatambe and Acting Chief Mvuthu are assisted on a monthly basis with fuel for jurisdiction administration purposes. Chief's homesteads have been constructed, renovated and upgraded to provide decent accommodation to community leaders.

The Company provided funeral assistance to a number of needy families in the concession in the period under review. Among them, funeral assistance to the Mhlanga family in Madumabisa village, whose son was attacked and killed by a crocodile in a prohibited water body in the concession area.

HEALTH

As a mining company HCCL values health issues of employees, dependents and the community at large. The organisation's Medical Services department has a dedicated Public Health section that responds to the needs of the communities in the concession.

CLEAN WATER SUPPLY

Watering points have been established along the 48 km pipeline that brings water from the Zambezi River to the Company's operations in Hwange, providing access to potable water to villagers along the route. Boreholes have also been drilled for communities living along the Deka River to provide them with an alternative source of clean drinking water.

ROAD AND RAIL TRANSPORT ACCIDENT (RTA) VICTIMS ASSISTANCE

The HCCL Fire and Rescue team carried out Road Traffic Accident assistance in Hwange District and Matabeleland North Province at large throughout the year for swift and quick responses to the unfortunate incidences.

HIV AND AIDS

The Colliery Company has established HIV/AIDS workplace and community programmes to have an impact on awareness, personal accountability and wellbeing. These campaigns which are being run by the Company's hospital have continued to raise the level of awareness on good, moral and safe behaviour for both employees and Hwange community. In recognition of our health CSR activities the organisation has won a number of awards such as the Auxilia Chimusoro Award for the best workplace HIV programmes.

SPRAYING OF VECTORS AND PEST CONTROL IN THE DISTRICT.

The exercise is coordinated by the Company's Medical Services Division within the district. In 2019 the department sprayed the concession and communities around for mosquitos and other vectors.

EDUCATION SECTOR DEVELOPMENT

Education is one of HCCL critical areas of participation in its quest to improve the academic excellence of the community. The Company actively participate in the construction and refurbishment of several primary and secondary schools around Hwange district.

Corporate Social Performance

Donations are made in cash and kind to support a number of activities in schools. In the year under review HCCL donated 100 beds to Neshaya Secondary school on 12 February 2019, a quasi-boarding facility in Makwa village where school children had been sleeping on the floor. By investing in education we are investing in the future generations.

The Company trains graduate learners from the fields of Mining Engineering, Electrical, Geology, Supply Chain, Marketing, Corporate Affairs, Human Resources, Finance, and Accounting, among others. It also trains Registered Nurses, apprentices and Student Attaches.

Tours to the mine are also conducted for primary, secondary and tertiary level educational institutions as part of Corporate Social Responsibility.

EMPOWERMENT PROGRAMMES

Besides the services and facilities provided for the urban community, Hwange Colliery is also conscious of its responsibility to people living in the surrounding communal lands. The organisation strives to help communities in the area in which it operates. Our preferred supplier programme now has a strong bias towards competent local entrepreneurs and is implemented on cost and quality competitiveness. Local companies are hired to supply and maintain key mining equipment.

SPORT

The Hwange Football Club, then premier league side was wholly sponsored by HCCL in the period under review as part of sports development and providing entertainment to the greater community.

HWANGE AND THE ENVIRONMENT

Hwange Colliery is committed to the protection of the environment. The Company is committed to the principle of integrated environmental management and continues to invest time and funds on striving for greater harmony between its operations and ecologically sensitive environment. The colliery's Mine Planning Department continues to give high priority to environmental management as an ongoing process. Over 40 hectares of opencast mined areas have been rehabilitated to almost their original state since inception of this programme.

HWANGE IN THE COMMUNITY

The colliery, seeks among other things, to invest and partner with local communities in fostering a longlasting legacy for the populace in which it has its operations at district, provincial and national level. There is an opportunity for local communities and schools to continue benefiting financially from the Company's rehabilitation programme at the opencast mine. By collecting indigenous trees and grass from here families earn extra income, while schools can raise their own development funds.

OUR PEOPLE, OUR ANCHOR

The safety of employees is top priority and pivotal to the Company's success and the Company ensures all employees observe Safety Health and Environment SHE standards in their areas of operation. Hwange Colliery is focused on people and employee satisfaction. In order to attract and keep staff, the Company has to maintain high standards of housing, health, and shopping, schooling and recreational facilities. Accommodation is built closer to mine shafts to reduce travelling distances to work.

NATIONAL EVENTS

Hwange Colliery Company plays a critical role in national events such as Independence celebrations, Heroes, Defence Forces' Day and Unity Day celebrations. The special events foster unity in the country of Zimbabwe and the Company strives to be a part of knitting a unified social fabric through donations and logistical support towards successful hosting.

In 2019, tents, mobile toilet units for sanitation, chairs and logistical support was provided by HCCL to Hwange district and Matabeleland North province for the success of national events such as Independence Day, Heroes and Defence forces day as part of nation building and social cohesion.

KAMANDAMA MEMORIAL SERVICE AND KAMANDAMA GOLF TOURNAMENT

The company hosted the Kamandama Memorial Golf Tournament, a collaborative effort from various departments and sponsor companies to raise funds for widows of the Kamandama Mine disaster which took place in 1972. The commemoration is in honour of the 427 miners who perished in 1972 at the colliery's underground mine. A golf tournament was held before the commemorations to raise funds towards the cause.

Hwange Colliery Company Limited endeavours to make its corporate social responsibility and philanthropic activities deeply connected to the Company core values.

PHILANTHROPY

Jairos Jiri Association a non-profit making charity organisation was once again assisted with 30 tons of cooking coal for their inmates in 2019.

The Company approved a donation to a local church (CCAP) of redundant rail beams for their church fencing. The World Pentecostal Church Ministries received drums for use at the church at no charge. As HCCL we believe churches play a pivotal role in social cohesion, nation building and unity, hence the continued support to religious institutions.

Rugare Dhobbie
Corporate Affairs Manager
& Acting Company Secretary

Responsibilities of Administrator for the Financial Statements

for the year ended 31 December 2019

It is the Administrator's responsibility to ensure that the financial statements fairly present the state of affairs of the Company. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The Administrator has assessed the ability of the Company to continue as a going concern and believes that the preparation of these financial statements on a going concern basis is still appropriate. However, the Administrator believes that under the current economic environment a continuous assessment of the ability of the Company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

The financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRS). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Company's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Administrator have been addressed and the Administrator confirms that the system of accounting and internal control is operating in a satisfactory manner.

The Company's financial statements which are set out on pages 28 to 75 were in accordance with their responsibilities approved by the Administrator on 30 April 2019 and are signed on its behalf by:

………………………………………… ADMINISTRATOR

………………………………………… ACTING MANAGING DIRECTOR

These Financial statements were prepared under the supervision of:

Josiah Nduku
Executive: Finance and Administration
Hwange Colliery Company Limited

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INDEPENDENT AUDITORS' REPORT

To the members of Hwange Colliery Company Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the inflation-adjusted financial statements of Hwange Colliery Company Limited as set out on pages 35 to 75, which comprise the inflation-adjusted statement of financial position as at 31 December 2019, and the inflation-adjusted statement of profit or loss and other comprehensive income, the inflation-adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation-adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the inflation-adjusted financial statements do not present fairly, in all material respects, the inflation adjusted financial position of Hwange Colliery Company Limited as at 31 December 2019, and its inflation-adjusted financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act (Chapter 24.03).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. As described in the note 39 to the financial statements, the economic environment during the year ended 31 December 2019 was characterised by 'multi-tiered' pricing, and the Company transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – The Effects of Changes in Foreign Exchange Rates which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. The Company had to be guided by S.I. 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, Hwange Colliery Company Limited maintained its functional currency as the USD from 1 January 2019 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe dollar as presented in the consolidated financial statements. This constitutes a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates. Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Company's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – Financial Reporting in Hyperinflationary Economies. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Company has applied IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 – Financial Reporting in

Hyperinflationary Economies.

Had the Group fully applied the requirements of IAS 29 on restated base numbers, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive. The financial effects on the inflation-adjusted financial statements of this departure have not been determined.

Independent Auditors' Report

for the year ended 31 December 2019

Fair value determination of transactions, assets and liabilities.

The determination of fair values for transactions, assets and liabilities presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. As disclosed in note 32 to the financial statements, a revaluation exercise was performed by professional valuers. The monetary and fiscal policy reforms being implemented in Zimbabwe have resulted in valuation challenges in the short term and may lead to significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

Consequently we were unable to determine the reasonability of assumptions applied in determining the valuation of Property and Equipment given the specific nature of the Company's assets in the prevailing environment.

Going concern

As described in note 34 to these financial statements, Hwange Colliery Company is in its second 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 which resulted in the total liabilities of the Company exceeding total assets.

As more fully disclosed in note 34 to these financial statements the Company's Administrator has initiated the following plans to address these and other challenges through the following, amongst other turnaround initiatives:

•Implementation of a sales plan which will be driven by the sale of high value coking coal to mainly coke batteries and industry.

•Implementation of a plan to increase the haulage capacity, the washing capacity as well as to complete the major repairs on the continuous miner.

•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.

•The Company will continue with the scheme of arrangement agreed payment plan to creditors although the time lines maybe are adjusted through engagements with all the creditors.

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

We draw attention to note 41 to the financial statements, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Company. The Company is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020.

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

As described in note 16 to these financial statements, financial information for its investments in associates and joint ventures, namely; for Clay Products (Private) Limited and Hwange Coal Gasification Company Limited were not availed for review. 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.

Financial support from the Government of Zimbabwe

Included in borrowings is an amount of ZWL 162 307 704 that was availed by the Government of Zimbabwe. We were not availed with loan documentation pertaining to this amount. Consequently, we were unable to verify the classification and valuation of this amount received from the Government of Zimbabwe.

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors' Report (cont'd.)

for the year ended 31 December 2019

Key Audit Matter	How our audit addressed the key Audit Matter
Allowance for credit losses	
The Company has trade receivables amounting to ZWL 128 203 021 and allowance for credit losses of ZWL 27 392 661 as disclosed in note 21 to the financial statements and form a major portion of the Company's assets. We considered this area a key audit matter as it requires the application of subjective assumptions and judgement by management.	• We reviewed the methodology and assumptions used in determining the allowance for credit losses by reference to internal and external evidence, as well as the appropriateness of the process of making such estimates. • Performed an independent assessment of the allowance for credit losses and compared our results to the management estimate so as to ascertain the adequacy of allowance for credit losses. We considered management's judgement to be reasonable and we satisfied ourselves that the allowance for credit losses provided by the Company is adequate and appropriate
Recognition of revenue	
Revenue is a key measure used to evaluate the performance of the Company. ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, presumes that there are risks of fraud in revenue recognition and requires the auditor to treat those assessed risks of material misstatement due to fraud as significant risks. The material misstatement may arise as a result of revenue being presented at amounts higher than what has been generated by the Company. This is a significant risk and accordingly a key audit matter.	• We identified the occurrence, completeness and cut-off of revenue as key focus areas of our audit. • Our audit procedures included testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively throughout the year under review. • The results of our controls testing formed 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). • We performed analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the Company's revenue recognition is adequate and appropriate.

Independent Auditors' Report (cont'd.)

for the year ended 31 December 2019

Key Audit Matter	How our audit addressed the key Audit Matter
Valuation of inventory for coal and coal related products	
The inventory of the Company includes coal and coal-related products and most of the costs of production are fixed costs. The Company is currently operating at below full capacity and there is a risk that the unit cost of production exceeds the net realisable value of the coal and coal-related products upon sale to customers. The Company sells coal fines to cement and brick manufactures and has included in its inventories, coal fines valued at ZWL 8 117 195 as at 31 December 2019. Coal fines are a by-product from crushing and processing of coal, various sizes of coal products. There is no observable market to determine the fair value of coal fines, and as a result there is a risk that the carrying amount of coal fines inventory may exceed the net realisable value. The valuation of coal and coal-related products has been considered a key audit matter.	Our audit procedures included attendance at year-end physical inventory counts to observe how management and the experts/ surveyors involved quantified the inventory. • We considered the competence of the surveyors as evidenced by certification, license or recognition by the appropriate professional board. • We reviewed the results of their reports, and sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities. • We reviewed the methods and assumptions used by the experts. • We reviewed the most recent prices at which coal and coal -related products had been sold to customers and verified whether the inventory was carried at the lower of cost and net realisable value. • Reviewed the financial statements to ascertain whether the inventory for coal and coal-related products had been correctly classified as either current or non-current assets. • Inspected the financial statements to ascertain whether management had made appropriate disclosures with regards to coal and coal-related products. We are satisfied that coal and coal-related products, including coal fines, have been properly classified and accounted for in the financial statements.
Trade and other payables	
Understatement of payables The Company has been failing to settle its creditors as they fall due. As at 31 December 2019, the Company had payables amounting to ZWL 725 071 600. There is a risk that the payables are understated due to non-recognition of interest charges by suppliers on overdue amounts. This is a significant risk and accordingly a key audit matter.	• Reviewed the creditors' reconciliation statements prepared by management. • Obtained confirmations directly from creditors with material balances as at 31 December 2019 • Ensured that management adjusted the ledger balances to reflect the effect of the differences between the confirmed balances and those in the ledger. • Vouched a sample of cash disbursements recorded just after year end to receiving reports and invoices from suppliers. We are satisfied that the accounting for trade and other payables was appropriate

Independent Auditors' Report (cont'd.)

for the year ended 31 December 2019

Key Audit Matter	How our audit addressed the key Audit Matter
Income taxes and deferred tax	
In the context of our audit of the Company's financial statements, income taxes and deferred tax were considered to be key audit matters because they entail significant management judgement as summarised below. **Income taxes:** The assessment process for income taxes is complex and the amounts involved are material to the financial statements, taken as a whole. In determining the amounts to be taxed, the Company makes judgements and estimates in relation to tax issues. **Deferred tax:** The Company has a significant amount of deferred tax assets, mainly resulting from net operating losses. The risk exists that future profits will not be sufficient to fully recover the deferred tax assets. This is a significant risk and accordingly a key audit matter.	• We involved our tax specialist to evaluate the recognition and measurement of tax liabilities. • We tested the completeness and accuracy of the amounts reported for current tax through review of correspondence with tax authorities and tax returns submitted during the year. • We mainly focused on the long-term forecasts and critically assessed the assumptions and judgements included in these forecasts by considering the historical accuracy of forecasts and the sensitivities of the profit forecasts. Based on the procedures performed, we consider management's key assumptions to be within a reasonable range. We also assessed the adequacy of the tax disclosures in the financial statements.

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report (cont'd.)

for the year ended 31 December 2019

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

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

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

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

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

Report on other legal and regulatory requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our Basis for Adverse Opinion, the Financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

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

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton ……………29 April 2020
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

Hwange Colliery Company Limited Open cast Operations

Statement Of Profit Or Loss And Other Comprehensive Income

for the year ended 31 December 2019

			Inflation Adjusted		Historical	
		Notes	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Revenue		5	881 483 368	429 477 707	422 227 974	69 144 019
Cost of sales			(459 305 628)	(450 572 795)	(239 912 676)	(72 540 235)
Gross profit/(loss)			422 177 740	(21 095 088)	182 315 298	(3 396 216)
Other income		7	5 675 738	8 154 994	2 285 276	1 312 918
Other losses and gains		8	(284 351 481)	-	(256 741 882)	-
Marketing costs			(3 125 366)	(3 632 143)	(1 301 154)	(584 759)
Administrative costs			(131 765 816)	(200 389 725)	(77 275 551)	(32 261 863)
Impairment of assets		14	-	(121 788 761)	-	(19 607 454)
Care and maintenance			-	(39 220 669)	-	(6 314 355)
Gain on net monetary position			2 261 005 386	-	-	-
Operating profit/loss before interest and tax			2 269 616 201	(377 971 392)	(150 718 013)	(60 851 729)
Finance costs		9	(57 877 401)	(109 409 590)	(19 023 411)	(17 614 462)
Share of profit/(loss) from equity accounted investments		10	-	146 010	-	23 507
Profit/(Loss) before tax		11	2 211 738 800	(487 234 972)	(169 741 424)	(78 442 684)
Income tax expense		12	(666 503 660)	-	78 631 903	-
PROFIT/LOSS FOR THE YEAR			1 545 235 140	(487 234 972)	(91 109 521)	(78 442 684)
Other comprehensive income:						
Gain on revaluation property, plant and equipment			-	-	2 380 201 695	-
Tax effect of revaluation			-	-	(588 385 859)	-
			-	-	1 791 815 836	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			1 545 235 140	(487 234 972)	1 700 706 315	(78 442 684)
Attributable profit/(loss) per share	- basic	13.1	8.41	(2.65)	(0.50)	(0.43)
	- diluted	13.2	8.41	(2.65)	(0.50)	(0.45)
Headline profit/(loss) per share	- basic	13.3	8.28	(1.95)	(0.52)	(0.30)
	- diluted	13.4	8.28	(1.95)	(0.52)	(0.30)

Statement Of Financial Position

As at 31 December 2019

	Notes	Inflation Adjusted		Historical	
		2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
ASSETS					
Non-current assets					
Property, plant and equipment		2 473 968 407	2 428 201 987	2 473 968 407	80 135 517
Investment property	15	80 328 300	27 888 962	80 328 300	4 490 000
Investments accounted for using the equity method	16	91 782 250	91 782 250	14 776 538	14 776 538
Intangible assets	17	1 063 148	3 021 499	273 585	486 448
Inventories - non-current portion	18	28 572 626	42 313 145	5 891 543	6 812 230
Stripping activity asset	19	9 138 591	9 138 591	1 471 273	1 471 273
		2 684 853 322	2 602 346 434	2 576 709 646	108 172 006
Current assets					
Inventories	20	147 884 159	105 271 477	89 377 080	16 948 244
Trade and other receivables	21	128 197 171	198 230 548	128 197 171	31 914 245
Cash and cash equivalents	23	11 380 994	9 706 471	11 380 994	1 562 699
		287 462 324	313 208 496	228 955 245	50 425 188
Total assets		2 972 315 646	2 915 554 930	2 805 664 891	158 597 194
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	450 843 969	450 843 969	45 962 789	45 962 789
Share premium		5 119 606	5 119 606	577 956	577 956
Non-distributable reserve		42 751 736	42 751 736	4 358 468	4 358 468
Revaluation reserve		-	-	1 831 764 354	39 948 518
Retained earnings/(Accumulated losses)		865 701 953	(369 707 682)	(528 147 354)	(380 872 377)
		1 364 417 264	129 007 629	1 354 516 213	(290 024 646)
Non-current liabilities					
Finance lease liability	25	400 000	3 105 675	400 000	500 000
Borrowings	26.1	179 692 285	1 052 161 161	179 692 285	169 393 312
Long-term creditors	27	548 625 061	1 319 981 774	548 625 061	212 511 251
Income tax liability	28	10 054 850	62 454 193	10 054 850	10 054 850
Deferred tax liability		666 503 660	-	509 753 956	-
		1 405 275 856	2 437 702 803	1 248 526 152	392 459 413
Current liabilities					
Finance lease liability	25	527 234	5 038 585	527 234	811 190
Borrowings	26.2	-	3 388 012	-	545 455
Trade and other payables	27	176 446 539	240 031 549	176 446 539	38 644 022
Provisions	29	25 648 753	100 386 352	25 648 753	16 161 760
		202 622 526	348 844 498	202 622 526	56 162 427
Total equity and liabilities		2 972 315 646	2 915 554 930	2 805 664 891	158 597 194

Moyo B.
Administrator

Dr C Zinyemba
Acting Managing Director

Statement Of Changes In Equity

for the year ended 31 December 2019

Inflation Adjusted

	Share ZWL	Share Capital ZWL	Distributable premium ZWL	Revaluation reserves ZWL	Retained earnings (Accumulated losses) ZWL	Total ZWL
Balance at 1 January 2018	450 843 969	5 119 606	42 751 736	-	117 527 290	616 242 601
Total comprehensive loss for the year	-	-	-	-	(487 234 972)	(487 234 972)
Balance at 31 December 2018	450 843 969	5 119 606	42 751 736	(369 707 682)	-	129 007 629
Balance at 1 January 2019	450 843 969	5 119 606	42 751 736	(369 707 682)	-	129 007 629
Effect of change in functional currency	-	-	-	-	(309 825 505)	(309 825 505)
Profit for the year	-	-	-	-	1 545 235 140	1 545 235 140
Balance at 31 December 2019	450 843 969	5 119 606	42 751 736	-	865 701 953	1 364 417 264

Historical

	Share Capital ZWL	Share premium ZWL	Distributable reserves ZWL	Revaluation reserve ZWL	Accumulated losses ZWL	Total ZWL
Balance at 1 January 2018	45 962 789	577 956	4 358 468	39 948 518	(302 429 693)	(211 581 962)
Total comprehensive loss for the year	-	-	-	-	(78 442 684)	(78 442 684)
Balance at 31 December 2018	45 962 789	577 956	4 358 468	39 948 518	(380 872 377)	(290 024 646)
Balance at 1 January 2019	45 962 789	577 956	4 358 468	39 948 518	(380 872 377)	(290 024 646)
Effect of change in functional currency	-	-	-	-	(56 165 456)	(290 024 646)
loss for the year	-	-	-	-	(91 109 521)	(91 109 521)
Other comprehensive income, net of tax	-	-	-	1 791 815 836	-	1 791 815 836
Balance at 31 December 2019	45 962 789	577 956	4 358 468	1 831 764 354	(528 147 354)	1 120 657 023

Statement Of Cash Flows

for the year ended 31 December 2019

	Notes	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		2 211 738 800	(487 234 972)	(169 741 424)	(78 442 683)
Adjustment for non-cash items:					
Foreign exchange gain/(loss)		336 790 818	-	332 580 182	-
Insurance claim	7	(60 517)	(1 889 760)	(26 731)	(304 243)
Finance costs	9	-	109 409 590	19 023 411	17 614 462
Impairment of assets (reversal)	14	(31 679 993)	121 788 761	(5 994 521)	19 607 454
Inventory write down of spares products		-	21 173 058	-	3 408 769
Depreciation	14	33 079 192	74 493 802	10 424 268	11 993 174
Fair value adjustment on investment property		(52 439 338)	-	(75 838 300)	-
Share of (profit)/loss from equity accounted investments		-	(146 010)	-	(23 507)
Amortisation	17	698 465	1 322 167	212 863	212 863
Treasury bills discount reversal		-	(5 542 692)	-	(892 349)
Gain/(Loss) on net monetary position		(2 261 005 386)	-	-	-
Discount received		-	(2 743 684)	-	(441 721)
Operating cash flow before changes in working capital					
Changes in working capital:		237 122 041	(169 369 741)	110 639 748	(27 267 781)
(Increase) in inventory		(234 639 130)	(13 719 276)	(71 508 149)	(2 208 743)
Decrease in stripping activity asset		-	45 965 792	-	7 400 290
(Decrease) in receivables		(315 932 411)	(3 021 635)	(96 282 926)	(486 470)
Increase in provisions		31 129 596	14 302 190	9 486 993	2 302 588
Increase/(decrease) in trade and other payables		362 074 122	88 698 133	80 917 926	14 280 009
Cash utilised in operating activities		79 754 218	(37 144 537)	33 253 592	(5 980 107)
Interest paid		-	(7 790 096)	-	(1 254 171)
Net cash flows utilised in operating activities		79 754 218	(44 934 633)	33 253 592	(7 234 278)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(47 165 619)	(15 827 137)	(18 060 942)	(4 167 008)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease)/Increase in long-term creditors		32 033 649	(36 627 716)	11 339 200	(5 896 901)
Proceeds from borrowings		10 373 258	69 381 646	6 357 730	12 789 048
Repayment of borrowings		(65 177 211)	(17 344 220)	(23 071 285)	(2 792 343)
Net cash flows generated from financing activities		(22 770 304)	15 409 710	(5 374 355)	4 099 804
Net decrease in cash and cash equivalents		9 818 295	(45 352 060)	9 818 295	(7 301 482)
Cash and cash equivalents at beginning of the year		1 562 699	55 058 531	1 562 699	8 864 181
Cash and cash equivalents at end of year	23	11 380 994	9 706 471	11 380 994	1 562 699

Statement Of Accounting Policies

for the year ended 31 December 2019

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 Companyed 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 27th April 2020.

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

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.

3 CHANGES IN ACCOUNTING POLICIES

3.1 New and revised standards and interpretations - Adopted

IFRS 16 'Leases'
IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC. The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019.

On transition, for those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

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 unused to restate the financial statements at 31 December 2019, using a February 2019 base are as follows:

Date	Indices	Conversion Factor
31 December 2019	551.6	1.000
31 December 2018	88.8	6.211

4 SUMMARY OF ACCOUNTING POLICIES

4.1 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:

Statement Of Accounting Policies (cont'd.)

for the year ended 31 December 2019

4 SUMMARY OF ACCOUNTING POLICIES (Cont'd.)

4.2 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. The functional currency of the Company has changed from USD to ZWL during the reporting period.

4.3 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.

4.4 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.

4.4.1 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 five 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.

4.4.2 Dividend income

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

4.4.3 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.

4.4.4 Rendering of services

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

4.5 Operating expenses

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.

Statement Of Accounting Policies (cont'd.)

for the year ended 31 December 2019

4 SUMMARY OF ACCOUNTING POLICIES (Cont'd.)

4.6 Finance costs

Finance costs are reported on an accrual basis using the effective interest method.

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary Shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.9 Property, plant and equipment

Freehold land and buildings and property, plant and machinery are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to capital reserves in the Shareholders' equity. Decreases that offset previous increases of the same asset are charged against capital reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference, between depreciation based on the revalued carrying amount of the asset charged to statement of comprehensive income and depreciation based on the asset's original cost, is transferred from "capital reserves" to "retained earnings".

4.9.1 Depreciation

Land, capital work in progress and pre-stripped overburden are not depreciated. All other property, plant and equipment are depreciated on a straight-line basis or amortised at rates estimated to write off the cost or valuation of such assets over their expected useful lives.

The expected useful lives are as follows:

Buildings	35 to 40 years
Permanent works	7 to 40 years
Plant, machinery and movable equipment	7 to 30 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.9.2 Gains and losses on disposal

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other income in profit or loss.

4.10 Intangible assets

Intangible assets include acquired mining rights and acquired and internally developed software used in production or administration that qualify for recognition as intangible assets. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

Mining rights	- amortised over the estimated life of coal reserves
ERP and other software	- 10 years

Amortisation charge for the year is included within 'depreciation, amortisation and impairment of non-financial assets'.

Statement Of Accounting Policies (cont'd.)

for the year ended 31 December 2019

4 SUMMARY OF ACCOUNTING POLICIES (Cont'd.)

4.10 Intangible assets (Cont'd)

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Subsequent expenditure on brands is expensed as incurred. Costs associated with maintaining computer software, i.e. expenditure relating to patches and other minor updates as well as their installation, are expensed as incurred.

4.11 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are measured at the lower levels for which there are separate identifiable cash flows (cash- generating units). Non-financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

4.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value determined by external independent valuers Investment property is not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are recognised in profit or loss.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss; any amounts on capital reserves relating to that investment property are transferred to retained earnings.

4.13 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4.13.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

The Company's financial assets are marketable securities that are carried at market value, which is calculated by reference to quoted selling prices at the date of business on the reporting date.

4.13.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

4.13.3 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within "selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing costs" in profit or loss.

4.13.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the reporting date.

4.14 Stripping activity asset

Stripping asset activity represents the cost of overburden removed to expose coal and is capitalised during the course of development. The portion relating to reserves expected to be mined in the next twelve months (12) is transferred to current assets and is charged to cost of production as the coal is mined whilst the portion that is expected to be mined after twenty four (24) months is recognised under non-current assets as other assets.

After initial recognition, the stripping activity asset is carried at cost less depreciation and impairment losses.

Statement Of Accounting Policies (cont'd.)

for the year ended 31 December 2019

4 SUMMARY OF ACCOUNTING POLICIES (Cont'd.)

4.15 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of consumable stores is determined using the weighted average cost method. The cost of finished goods is determined on an average cost of production basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.16 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where a company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

4.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.18 Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4.20 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Statement Of Accounting Policies (cont'd.)

for the year ended 31 December 2019

4 SUMMARY OF ACCOUNTING POLICIES (Cont'd.)

4.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.22 Employee benefits

4.22.1 Pension and retirement schemes

The Company is a member of the Mining Industry Pension Fund which is independently administered as a defined contribution scheme. All-full time permanent employees are members and the scheme provides for contributions by both employer and employee. The Company's contributions to the defined contribution pension plans are charged to statement of profit or loss in the year to which they relate. The Company and all employees must contribute to the National Social Security Authority statutory pension and benefits scheme, which is a defined contribution scheme.

4.22.2 Equity compensation benefits

The stock option programme allows employees to acquire shares in the Company. When the options are exercised equity is increased by the amount of the proceeds received.

4.22.3 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are measured at an undiscounted amount and recognised as an expense in the profit or loss during the period in which the services are rendered. Short-term benefits expected to be paid are recognised as a liability (accrued expense), after deducting any amount already paid.

4.23 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Short-term employee benefits include wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the period in which the employees render the related employee service; profit-sharing and bonuses payable within 12 months after the end of the period in which the employees render the related service; and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees. The entity recognises the undiscounted amount of short-term employee benefits as an expense in profit or loss during the period in which the services are rendered. Short-term benefits expected to be paid are recognised as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.23.1 Rehabilitation and restoration costs

The Company recognises provisions for the restoration and rehabilitation of mined areas. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

Statement Of Accounting Policies (cont'd.)

for the year ended 31 December 2019

4 SUMMARY OF ACCOUNTING POLICIES (Cont'd.)

4.23.1 Rehabilitation and restoration costs (Cont'd.)

The provision recognised for each site is periodically reviewed and updated, based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting the restoration and rehabilitation provision.

4.24 Segment reporting

The Company has three operating segments: the Mining, Medical Services and Estates. In identifying these operating segments, management generally follows the Company's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length basis.

For management purposes, the Company uses the same measurement policies as those used in its financial statements.

4.25 Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

4.25.1 The party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;

4.25.2 The Company and the party are subject to common control;

4.25.3 The party is an associate of the Company or a joint venture in which the Company is a venturer;

4.25.4 The party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

4.25.5 The party is a close family member of a party referred to in 4.23.1 or is an entity under the control, joint control or significant influence of such individuals; or

4.23.6 The party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

5 REVENUE

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Mining	813 559 198	352 729 458	395 000 695	56 787 889
Medical services	12 599 157	12 703 950	5 749 628	2 045 280
Estates	55 325 013	64 044 299	21 477 651	10 310 850
	881 483 368	429 477 707	422 227 974	69 144 019

Notes to the Financial Statements

for the year ended 31 December 2019

6 SEGMENT REPORTING

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

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

Segment information for the reporting period is as follows:

	Inflation Adjusted			
	Mining ZWL	Medical Services ZWL	Estates ZWL	Total ZWL
2019				
Revenue				
From external customers	813 559 198	12 599 157	55 325 013	881 483 368
From other segments	-	499 947	11 062 071	11 562 018
Segment revenues	813 559 198	13 099 104	66 387 084	893 045 386
Other income	2 042 356	438 649	3 194 733	5 675 738
Cost of sales	(390 990 409)	(23 644 738)	(44 670 481)	(459 305 628)
Marketing costs	(3 125 366)	-	-	(3 125 366)
Other gains and losses	(284 351 481)	-	-	(284 351 481)
Administration expenses	(118 999 048)	(1 168 444)	(11 598 324)	(131 765 816)
Gain on net monetary position	2 261 005 386	-	-	2 261 005 386
Segment operating profit/(loss)	2 279 140 636	(11 775 376)	2 250 941	2 269 616 201
Segment assets	2 471 919 574	697 763	1 351 070	2 473 968 407
2018				
Revenue				
From external customers	352 729 458	12 703 950	64 044 299	429 477 707
From other segments	-	899 217	2 887 694	3 786 911
Segment revenues	352 729 458	13 603 167	66 931 993	433 264 618
Other income	7 098 865	463 087	593 041	8 154 993
Cost of sales	(384 235 042)	(20 381 558)	(45 956 195)	(450 572 795)
Marketing costs	(3 632 143)	-	-	(3 632 143)
Care and maintenance	(39 220 669)	-	-	(39 220 669)
Administration expenses	(182 824 033)	(1 370 634)	(16 195 058)	(200 389 725)
Impairment of assets	(121 788 761)	-	-	(121 788 761)
Segment operating loss	(371 872 325)	(8 585 155)	2 486 087	(377 971 393)
Segment assets	671 894 197	-	-	671 894 197

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

6 SEGMENT REPORTING (Cont'd.)

	Historical			
	Mining ZWL	Medical Services ZWL	Estates ZWL	Total ZWL
2019				
Revenue				
From external customers	395 000 695	5 749 628	21 477 651	422 227 974
From other segments	-	499 947	11 062 071	11 562 018
Segment revenues	395 000 695	6 249 575	32 539 722	433 789 992
Other income	1 561 331	219 816	504 129	2 285 276
Cost of sales	(205 168 067)	(10 173 767)	(24 570 842)	(239 912 676)
Marketing costs	(1 301 154)	-	-	(1 301 154)
Other gains and losses	(256 741 882)	-	-	(256 741 882)
Administration expenses	(71 705 051)	(496 221)	(5 074 279)	(77 275 551)
Segment operating (loss)/profit	(138 354 128)	(420 0597)	3 398 730	(150 718 013)
Segment assets	2 471 919 574	697 763	1 351 070	2 473 968 407
2018				
Revenue				
From external customers	56 787 889	2 045 280	10 310 850	69 144 019
From other segments	-	144 770	464 906	609 676
Segment revenues	56 787 889	2 190 050	10 775 756	69 753 695
Other income	1 142 886	74 555	95 477	1 312 918
Cost of sales	(6 186 0149)	(328 1341)	(7 398 745)	(72 540 235)
Marketing costs	(584 759)	-	-	(584 759)
Care and maintenance	(6 314 355)	-	-	(6 314 355)
Administration expenses	(29 433 864)	(220 666)	(2 607 333)	(32 261 863)
Impairement of assets	(19 607 454)	-	-	(19 607 454)
Segment operating loss	(55 940 432)	(220 666)	(2 607 333)	(60 851 729)
Segment assets	108 172 006	-	-	108 172 006

The Administrator currently identifies the Company's three business lines as its operating segments. These operating segments are monitored by the Company'sAdministrator 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:

	Inflation Adjusted	Historical		
	2019 Mining ZWL	2018 Medical Services ZWL	Estates ZWL	Total ZWL
Sales within Zimbabwe	861 843 935	414 836 207	412 815 257	66 786 802
Sales elsewhere in Sub-Saharan Africa	19 639 433	14 641 500	9 412 717	2 357 217
Total revenue	881 483 368	429 477 707	422 227 974	69 144 019

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

7 OTHER INCOME

	Inflation Adjusted		Historical	
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Insurance claims	60 517	1 889 760	26 731	304 243
Rental income	3 301 684	2 891 545	1 107 743	465 525
Sale of scrap metal	652 025	1 500 799	223 116	241 624
Sundry income	1 661 512	1 872 890	927 686	301 526
	5 675 738	8 154 994	2 285 276	1 312 918

8 OTHER LOSSES AND GAINS

Fair value adjustment on investment property	52 439 338	-	75 838 300	-
Foreign exchange loss	(336 790 819)	-	(332 580 182)	-
	(284 351 481)	-	(256 741 882)	-

9 FINANCE COSTS

Interest on loans and overdrafts	57 752 661	108 607 736	18 898 671	17 485 367
Interest on leases	124 740	801 854	124 740	129 095
	57 877 401	109 409 590	19 023 411	17 614 462

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.

10 SHARE OF LOSSES FROM EQUITY ACCOUNTED INVESTMENTS

	Inflation Adjusted		Historical	
	2019	2018	2019	2018
	ZWL	ZWL	ZWL	ZWL
Included in this amount is the Company's share of loss after tax from:				
Clay Products (Private) Limited	-	146 010	-	23 507
Zimchem Refineries(Private) Limited	-	-	-	-
Hwange Coal Gasification Company	-	-	-	-
	-	146 010	-	23 507

The share of profit of Zimchem Refiners (Private) Limited for 31 December 2019 amounting to ZWL280 399 was not recorded in these financial statements as the cumulative share of losses exceeds the carrying amount of the investment in the associate.

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

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

11 PROFIT/(LOSS) BEFORE TAX

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Profit/(loss) before tax for the year has been arrived at after charging the following:				
Expected credit losses	2 796 699	7 236 024	2 796 699	1 164 968
Amortisation	1 958 350	1 322 167	212 863	212 863
Audit fees	4 516 526	686 385	1 559 895	110 505
Depreciation on property, plant and equipment (note 14)	33 079 192	74 493 796	10 424 268	11 993 174
Impairment of assets (note 14)	(31 679 993)	121 788 761	(5 994 521)	19 607 454
Directors' emoluments:				
- Executive Directors	2 579 328	2 739 609	564 574	441 065
- Non-Executive Directors	-	443 304	-	71 370
Employee benefits expense (note 11.1)	219 471 107	118 605 364	48 593 398	19 094 941

11.1 Employee benefits expense

Salaries and other contributions	152 516 718	110 661 612	46 480 688	17 816 032
Contribution to Mining Industry Pension Fund	65 478 513	6 052 172	1 662 925	974 373
Contribution to National Social Security Authority	1 475 876	1 891 580	449 785	304 536
	219 471 107	118 605 364	48 593 398	19 094 941

Employee benefit expense amounting to ZWL 24 792 085 (2018: ZWL 6 694 782) was charged directly to cost of sales. In the inflation adjusted accounts, an amount of ZWL 111 972 954 (2018: ZWL 41 583 635) was charged to cost of sales.

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
12 INCOME TAX				
12.1 Current tax:				
Current tax	-	-	-	-
Deferred tax	666 503 660	-	(78 631 903)	-
Income tax (credit)/expense	666 503 660	-	(78 631 903)	-
12.2 Tax reconciliation:				
Profit/(Loss) before tax	2211 738 800	(48 723 4972)	(16 974 1424)	(7 844 2684)
Notional tax thereon at a rate of 25.75%	569 522 741	(12 546 3005)	(4 370 8417)	(20 198 991)
Tax effect of:				
Non-deductible/(taxable) items				
- Income not subject to tax	(72 221 770)	(593 534)	(102 217 343)	(95 556)
- Expenses not deductible in determining tax	723 075 615	123 317 447	8 266 528	12 292 224
Effect of assessed loss on taxable income	(55 387 2926)	2 739 092	59 027 329	8 002 323
Income tax (credit)/expense	666 503 660	-	(78 631 903)	-

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

12.3 Deferred tax movement

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 January	-	-	-	-
Movement through other comprehensive income	-	-	588 385 859	-
Movement through profit/loss	666 503 660	-	(78 631 903)	-
Balance at 31 December	666 503 660	-	509 753 956	-

The amounts recognised in other comprehensive income relate to the revaluation of property, plant and equipment

12.4 Deferred tax liabilities:

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Capital allowances and other				
Balance at 1 January	187 174 370	111 842 259	30 134 249	18 006 111
Movement	485 443 843	75 332 111	601 287 897	12 128 138
Balance at 31 December	672 618 213	187 174 370	631 422 146	30 134 249

12.5 Deferred tax assets:

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Assessed loss				
Balance at 1 January	(187 174 370)	(111 842 259)	(30 134 249)	(18 006 111)
Movement	181 059 817	(75 332 111)	(91 533 941)	(12 128 138)
Balance at 31 December	(6 114 553)	(187 174 370)	(121 668 190)	(30 134 249)

As at year end, the Company had cumulative historic assessed tax losses amounting to ZWL 492 185 233 (2018: ZWL 249 316 997).

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

13 PROFIT/(LOSS) PER SHARE

13.1 Basic

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Profit/(loss) attributable to shareholders	1 545 235 140	(487 234 972)	(91 109 521)	(78 442 684)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Basic profit/(loss) per share	8.41	(2.65)	(0.50)	(0.43)

Basic profit/(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.

13.2 Diluted

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

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

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

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Profit/(loss) used to determine diluted profit/(loss) per share	1 545 235 140	(487 234 972)	(91 109 521)	(78 442 684)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Diluted profit/(loss) per share	8.41	(2.65)	(0.50)	(0.43)

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

13 PROFIT/(LOSS) PER SHARE (Cont'd.)

13.3 Profit/(loss) per share

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

	Inflation Adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
IAS 33 -Loss for the year	1 545 235 140	(487 234 972)	(91 109 521)	(78 442 684)
Non - recurring items:				
Proceeds on sale of scrap	(652 025)	(1 500 799)	(223 116)	(241 624)
Impairment of assets/(reversal)	(31 679 993)	121 788 761	(5 994 521)	19 607 454
Stripping activity asset impairment	-	45 965 792	-	7 400 290
Loss on disposal of Treasury Bills	-	5 542 698	-	892 350
Tax effect of the above	8 325 495	(42 810 342)	1 601 042	(4 756 921)
Headline profit/(loss)	1 521 228 617	(358 248 862)	(95 726 116)	(55 541 135)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Headline profit/(loss) per share	8.28	(1.95)	(0.52)	(0.30)

13.4 Diluted headline profit/(loss) per share

	Inflation Adjusted		Historical	
	2019 ZWL	**2018 ZWL**	**2019 ZWL**	**2018 ZWL**
Profit/(loss) used to determine diluted headline loss per share	1 521 228 617	(358 248 862)	(95 726 116)	(55 541 135)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699	183 720 699	183 720 699
Diluted headline loss per share	8.28	(1.95)	(0.52)	(0.30)

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

14 PROPERTY PLANT AND EQUIPMENT

	Inflation Adjusted				
	Freehold land and buildings ZWL	Plant machinery and movables ZWL	Motor vehicles ZWL	Capital work in progress ZWL	Total ZWL
Year Ended 31 December 2019					
Cost/gross carrying amount					
Balance at 1 January	1 832 979 118	718 915 611	24 877 167	5 295 996	2 582 067 892
Additions	-	36 766 275	6 943 884	3 455 460	47 165 619
Reclassification of assets	-	-	105 837	(105 837)	-
Balance at 31 December	1 832 979 118	755 681 886	31 926 888	8 645 619	2 629 233 511
Depreciation and impairment					
Balance at 1 January	31 539 189	117 747 488	2 228 020	2 351 208	153 865 905
Depreciation charge for the year	7 651 664	24 415 608	1 011 920	-	33 079 192
Impairment (reversal)	-	(31 679 993)	-	-	(31 679 993)
Balance at 31 December	39 190 853	110 483 103	3 239 940	2 351 208	155 265 104
Carrying amount at 31 December	1 793 788 265	645 198 783	28 686 948	6 294 411	2 473 968 407
Year ended 31 December 2018					
Cost/ gross carrying amount					
Balance at 1 January	1 832 979 118	704 507 877	24 423 465	4 330 295	2 566 240 755
Additions	-	13 443 876	453 702	1 929 559	15 827 137
Reclassification of assets	-	963 858	-	(963 858)	-
Balance at 31 December	1 832 979 118	718 915 611	24 877 167	5 295 996	2 582 067 892
Depreciation and impairment					
Balance at 1 January	14 708 915	38 485 713	2 108 792	-	55 303 420
Depreciation charge for the year	16 830 274	27 493 037	119 228	-	44 442 539
Impairment	-	51 768 738	-	2 351 208	54 119 946
Balance at 31 December	31 539 189	117 747 488	2 228 020	2 351 208	153 865 905
Carrying amount at 31 December	1 801 439 929	601 168 123	22 649 147	2 944 788	2 428 201 987

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

14 PROPERTY, PLANT AND EQUIPMENT (Cont'd.)

	Historical				
	Freehold land and buildings ZWL	Plant machinery and movables ZWL	Motor vehicles ZWL	Capital work in progress ZWL	Total ZWL
Year Ended 31 December 2019					
Cost/gross carrying amount					
Balance at 1 January	102 833 842	119 513 371	3 327 665	5 295 996	230 970 874
Additions	-	12 432 678	2 172 804	3 455 460	18 060 942
Revaluation	1 730 145 276	623 735 837	26 320 582		2 380 201 695
Reclassification of assets	-	-	105 837	(105 837)	-
Balance at 31 December	1 832 979 118	755 681 886	31 926 888	8 645 619	2 629 233 511
Depreciation and impairment					
Balance at 1 January	36 779 579	108 783 517	2 921 053	2 351 208	150 835 357
Depreciation charge for the year	2 411 274	7 694 107	318 887	-	10 424 268
Impairment (reversal)	-	(5 994 521)	-	-	(5 994 521)
Balance at 31 December	39 190 853	110 483 103	3 239 940	2 351 208	155 265 104
Carrying amount at 31 December	1 793 788 265	645 198 783	28 686 948	6 294 411	2 473 968 407
Year ended 31 December 2018					
Cost/ gross carrying amount					
Balance at 1 January	102 833 842	116 385 108	3 254 621	4 330 295	226 803 866
Additions	-	2 164 405	73 044	1 929 559	4 167 008
Reclassification of assets	-	963 858	-	(963 858)	-
Balance at 31 December	102 833 842	119 513 371	3 327 665	5 295 996	230 970 874
Depreciation and impairment					
Balance at 1 January	34 069 979	82 362 925	2 801 825	-	119 234 729
Depreciation charge for the year	2 709 600	9 164 346	119 228	-	11 993 174
Impairment	-	17 256 246	-	2 351 208	19 607 454
Balance at 31 December	36 779 579	108 783 517	2 921 053	2 351 208	150 835 357
Carrying amount at 31 December	66 054 263	10 729 854	406 612	2 944 788	80 135 517

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

14.1 leases

The Company has certain property that is held under a lease arrangement. As at 31 December 2019, the carrying amount of the property is ZWL 37 737 531 (2018: ZWL 670 930) and is included in freehold land and buildings. Finance lease liabilities are secured by the related assets held under finance leases. Future minimum lease payments at 31 December were as follows:

	Inflation Adjusted			
	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	ZWL	ZWL	ZWL	ZWL
31 December 2019				
Principal repayments	600 000	100 000	300 000	1 000 000
Finance charges accrued	(72 766)	-	-	(72 766)
Total	527 234	100 000	300 000	927 234
31 December 2018				
Principal repayments	5 190 209	621 135	400 006	6 211 350
Finance charges accrued	1 932 910	-	-	1 932 910
Total	7 123 119	100 000	400 000	8 144 260

	Historical			
	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	ZWL	ZWL	ZWL	ZWL
31 December 2019				
Principal repayments	600 000	100 000	300 000	1 000 000
Finance charges accrued	(72 766)	-	-	(72 766)
Total	527 234	100 000	300 000	927 234
31 December 2018				
Principal repayments	500 000	100 000	400 000	1 000 000
Finance charges accrued	311 190	-	-	311 190
Total	811 190	100 000	400 000	1 311 190

The lease agreement includes fixed lease payments and a purchase option at the end of the lease term. The agreements are non-cancellable but do not contain any further restrictions.

No contingent rents were recognised as an expense in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the Company.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

15 INVESTMENT PROPERTY

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Valuation at 1 January	27 888 962	27 888 962	4 490 000	4 490 000
Fair value gains (included in other gains and losses)	52 439 338	-	75 838 300	-
At 31 December	**80 328 300**	**27 888 962**	**80 328 300**	**4 490 000**

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.
Note 32.1 sets out how the fair value of the investment properties has been determined.

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

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Rental income	3 301 684	2 891 545	1 107 743	465 525

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Investments in associates (note 16.1)	146 010	146 010	23 507	23 507
Investments in joint venture (note 16.2)	91 636 240	91 636 240	14 753 031	14 753 031
	91 782 250	91 782 250	14 776 538	14 776 538

16.1 Investments in associates

	Inflation Adjusted 2019 ZWL	Inflation Adjusted 2018 ZWL	Historical 2019 ZWL	Historical 2018 ZWL
Carrying amount at 1 January	146 010	-	23 507	-
Share of profit	-	146 010	-	23 507
Carrying amount at 31 December	146 010	146 010	23 507	23 507

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:

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

16 Investments accounted for using the equity method (Cont'd.)

16 Investment property (Cont'd.)

	Clay Products		Zimchem	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Assets	2 818 092	17 504 156	1 341 468	1 504 009
Liabilities	3 684 070	22 883 048	6 515 712	6 714 802
Revenues	1 309 254	8 132 235	1 171 729	1 171 729
Profit/(Loss) for the year	-	297 977	637 270	(908 823)
Loss for the year attributable to Hwange Colliery Company Limited	-	146 010	280 399	(399 882)

The Company did not recognise its share of profits for the year amounting to ZWL 280 399 (2018: ZWL 399 882 loss) for Zimchem Refiners (Private) Limited as the share of cumulative losses exceed the carrying amount of the investment in the associate even with the current year profit.

The Company recognised a share of profit for 2018 amounting to ZWL 23 507 for Clay Products (Private) Limited. The information for 2019 was not available at the time of publication of this report

Dividends are subject to the approval of at least 51% of all shareholders of the associates. The Company did not receive dividends during the 2019 and 2018 financial years.

The Company has not incurred any contingent liabilities or other commitments relating to the investment in associates.

*Unaudited financial information for associates has been included in these financial statements as the audited financial information was not available.

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Carrying amount as at 1 January	91 636 240	91 636 240	14 753 031	14 753 031

16.3 Investment in joint venture

Hwange Coal Gasification Company (Private) Limited is the only jointly controlled entity and the ultimate ownership interest is 25%. Hwange Colliery Company Limited's investment in the joint venture is being acquired on a piecemeal basis. The investment in the joint venture has been accounted for using the equity method.

The aggregate amounts relating to Hwange Coal Gasification Company are as follows:

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Non-current assets	292 440 014	292 440 014	47 081 554	47 081 554
Current assets	226 876 158	226 876 158	36 526 062	36 526 062
Total assets	519 316 172	519 316 172	83 607 616	83 607 616
Non-current liabilities	165 768 206	165 768 206	26 687 951	26 687 951
Current liabilities	52 363 513	52 363 513	8 430 295	8 430 295
Total liabilities	218 131 719	218 131 719	35 118 246	35 118 246

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

17 INTANGIBLE ASSETS

	Inflation Adjusted			
	Exploration and evaluation asset ZWL	Mining rights ZWL	ERP development and other software ZWL	Total ZWL
2019				
Cost/ Gross carrying amount				
Balance at 1 January 2019	47 858	1 242 270	12 600 531	13 890 659
Additions	-	-	-	-
Balance at 31 December 2019	47 858	1 242 270	12 600 531	13 890 659
Amortisation and impairment				
Balance at 1 January 2019	-	1 062 837	9 806 324	10 869 161
Amortisation	-	92 000	1 866 350	1 958 350
Balance at 31 December 2019	-	1 154 837	11 672 674	12 827 511
Carrying amount 31 December 2019	47 858	87 433	927 857	1 063 148
2018				
Cost/ Gross carrying amount				
Balance at 1 January 2018	47 858	1 242 270	12 600 531	13 890 660
Additions	-	-	-	-
Balance at 31 December 2018	47 858	1 242 270	12 600 531	13 890 660
Amortisation and impairment				
Balance at 1 January 2018	-	1 000 723	8 546 271	9 546 994
Amortisation	-	62 114	1 260 053	1 322 167
Balance at 31 December 2018	-	1 062 837	9 806 324	10 869 161
Carrying amount 31 December 2018	47 858	179 433	2 794 207	3 021 499

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

17 INTANGIBLE ASSETS (Cont'd.)

	Inflation Adjusted			
	Exploration and evaluation asset ZWL	development Mining rights ZWL	ERP and other software ZWL	Total ZWL
2019				
Cost/ Gross carrying amount				
Balance at 1 January 2019	7 705	200 000	2 028 630	2 236 335
Additions	-	-	-	-
Balance at 31 December 2019	7 705	200 000	2 028 630	2 236 335
Amortisation and impairment				
Balance at 1 January 2019	-	171 112	1 578 775	1 749 887
Amortisation	-	10 000	202 863	212 863
Balance at 31 December 2019	-	181 112	1 781 638	1 962 750
Carrying amount 31 December 2019	7 705	18 888	246 992	273 585
2018				
Cost/ Gross carrying amount				
Balance at 1 January 2018	7 705	200 000	2 028 630	2 236 335
Additions	-	-	-	-
Balance at 31 December 2018	7 705	200 000	2 028 630	2 236 335
Amortisation and impairment				
Balance at 1 January 2018	-	161 112	1 375 912	1 537 024
Amortisation	-	10 000	202 863	212 863
Balance at 31 December 2018	-	171 112	1 578 775	1 749 887
Carrying amount 31 December 2018	7 705	28 888	449 855	486 448

ÅThe Company has an enterprise Resource Planning (ERP) software that supports the administration and control of the Company. Some modules for mine planning and marketing are still to be developed. Mining rights comprise coal mining claims which are yet to be mined. No intangible assets have been pledged as security for liabilities.

17.1 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 9648,4200 and 10995 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.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

18 INVENTORIES NON-CURRENT PORTION

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 January	54 707 776	60 450 468	8 807 711	9 732 259
Additions to stockpiles	-	1 747 004	-	281 260
Sales	(6 188 512)	(7 489 696)	(690 516)	(1 205 808)
Balance at 31 December	48 519 264	54 707 776	8 117 195	8 807 711
Balance at end of year is classified as follows:				
Non-current portion	28 572 626	42 313 145	5 891 543	6 812 230
Current portion (included in inventories note 20)	19 946 638	12 394 631	2 225 652	1 995 481
	48 519 264	54 707 776	8 117 195	8 807 711

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 2019 (2018: ZWL nil).

19 Stripping activity asset

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 January	9 138 591	55 104 383	1 471 273	8 871 563
Current year pre-stripping costs	-	-	-	-
Provision for impairment	-	(45 965 792)	-	(7 400 290)
Balance at 31 December	9 138 591	9 138 591	1 471 273	1 471 273
Balance at end of year allocated as follows:				
Non-current assets	9 138 591	9 138 591	1 471 273	1471 273
Current assets	-	-	-	-
Balance at end of year	9 138 591	9 138 591	1 471 273	1 471 273

20 INVENTORIES

	2019 ZWL (Inflation Adjusted)	2018 ZWL (Inflation Adjusted)	2019 ZWL (Historical)	2018 ZWL (Historical)
Raw materials/consumables	59 816 205	38 203 592	19 030 111	6 150 610
Finished goods				
- Coal	68 121 316	54 673 254	68 121 317	8 802 153
- Coal fines (note 18)	19 946 638	12 394 631	2 225 652	1 995 481
	147 884 159	105 271 477	89 377 080	16 948 244

During the year ended 31 December 2019, a total of ZWL1,385,212 (2018:ZWLNIL)worth of inventories was included inprofit and loss as an expense resulting from write down of inventories to net realisable value.

No reversal of previous write-downs was recognised as a reduction of expense in 2019 (2018: nil)

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

21 TRADE AND OTHER RECEIVABLES

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Trade receivables, gross	109 649 647	207 549 138	109 649 647	33 414 497
Allowance for credit losses	(27 392 661)	(152 774 130)	(27 392 661)	(24 595 962)
Trade receivables, net	82 256 986	54 775 008	82 256 986	8 818 535
Other receivables	45 940 185	143 455 540	45 940 185	23 095 710
	128 197 171	198 230 548	128 197 171	31 914 245

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 ZWL1,319,923 (2018: ZWL16 676,706) relating to related party receivables (note 22.2).

The Company adopted IFRS9" Financial instrustment" from 1January 2018 which resulted in changes in the accounting 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 ZWL2796999 (2018:ZWL1164968) has been recognised.

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

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance 1 January	24 595 962	145 538 106	24 595 962	23 430 994
Increase in allowance for credit losses	2 796 699	7 236 024	2 796 699	1 164 968
Balance 31 December	27 392 661	152 774 130	27 392 661	24 595 962

The table below describes the credit loss allowanced recognised on balance sheet.

Trade receivables	Current ZWL	More than 30 days past due ZWL	More than 60 days past due ZWL	More than 90 days past due ZWL	More than 120 days past due ZWL	Total ZWL
Gross carrying amount	22 950 550	29 733 775	19 403 368	23 932 604	13 629 350	109 649 647
Average expected loss rate	0.5%	9.6%	30.2%	20.6%	100.0%	25.0%
Credit loss allowance	114 753	2 858 625	5 859 817	4 930 116	13 629 350	27 392 661

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

22 Related party disclosures

The Company's related parties include associates, joint ventures and key management as described below:

Related party	Relationship	Nature of Transactions
Hwange Coal Gasification Company	Joint venture company	Sale of goods
Clay Products (Private) Limited	Associate company	Sale of goods
Zimchem Refineries (Private) Limited	Associate company	Sale of goods
Executive Management	Key management personnel	Remuneration, loans and advances

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.Outstanding balances are usually settled in cash.

22.2 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	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Related party receivables:				
Hwange Coal Gasification Company	1 303 851	101 772 120	1 303 851	16 384 863
Clay Products (Private) Limited	13 900	333 959	13 900	53 766
Zimchem Refineries (Private) Limited	2 172	1 478 780	2 172	238 077
	1 319 923	103 584 859	1 319 923	16 676 706
Related party payables:				
Hwange Coal Gasification Company	4 338 672	86 908 390	4 338 672	13 991 868
Zimchem Refineries (Private) Limited	21 151	153 041	21 151	24 639
	4 359 823	87 061 431	4 359 823	14 016 507

Transactions with Hwange Coal Gasification Company (HCGC)

HCCL sells coking coal to HCGC in the ordinary course of business. During the year ended 31 December 2019, HCCL sold coking coal worth ZWL 35,346,615 (2018: ZWL 5,549,868) to HCGC.

Transactions with Clay Products (Private) Limited

HCCL sells coal and coal products to Clay Products (Private) Limited in the ordinary course of business. During the year ended 31 December 2019, HCCL sold coal products worth ZWL 406,393 (2018:ZWL62,533) to Clay Products.

Transactions with Zimchem Refineries (Private) Limited

HCCL sales coal and coal products to Zimchem Refineries (Private) Limited and purchases chemicals from the associate company in the ordinary course of business. During the year ended 31 December 2018, HCCL sold coal products worth ZWL114,985 (2018:ZWL26,645) to Zimchem Refineries.

Loans from shareholders

Included in the non-current portion of the balance relating to borrowings restatement of assets and liabilities previously denominated in Zimbabwean dollars on 21 January 2009. The assets and liabilities were restated to the United States dollar using the guidance issued by the Public Accountants and Auditors Board and Zimbabwe Stock Exchange in 2009.

			Inflation Adjusted	Historical
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Government of Zimbabwe (note 27)	162 307 704	858 250 271	162 307 704	138 174 513

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

22 Related party disclosures (Cont'd.)

22.3 Transactions with key management personnel

Key management of the Company are the executive members of HCCL's Board of Directors and senior management personnel. Key management personnel's remuneration includes the following expenses:

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Short-term employee benefits:				
Salaries including bonuses	291 336	14 735 602	291 336	2 372 367
Other benefits and allowances	464 159	6 230 723	464 159	1 003 119
	755 494	20 966 325	755 494	3 375 486
Post-employment benefits:				
Defined contribution pension plans	304 806	1 145 944	304 806	184 492
Total remuneration	1 060 300	22 112 269	1 060 301	3 559 978

23 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.

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Bank and cash balances	11 380 994	9 706 471	11 380 994	1 562 699
Bank overdrafts	-	-	-	-
	11 380 994	9 706 471	11 380 994	1 562 699

24 Share capital and reserves

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
24.1 Authorised				
204 000 000 Ordinary shares of ZWL0.25 each	500 253 421	500 253 421	51 000 000	51 000 000
Issued and fully paid				
110 237 432 Ordinary shares of ZWL0.25 each	270 326 728	270 326 728	27 559 358	27 559 358
5 925 699 Ordinary shares issued under share option scheme	14 851 042	14 851 042	1 514 039	1 514 039
67 557 568 "A" Ordinary shares of ZWL0.25 each	165 666 199	165 666 199	16 889 392	16 889 392
	450 843 969	450 843 969	45 962 789	45 962 789
24.2 Share premium				
Balance at 1 January	5 119 606	5 119 606	577 956	577 956
Movement for the year	-	-	-	-
Balance at 31 December	5119 606	5 119 606	577 956	577 956

The share premium is as a result of employee share options exercised in 2012 and 2013.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

24 Share capital and reserves (Cont'd.)

24.3 Non-distributable reserve

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 January	42 751 736	42 751 736	4 358 468	4 358 468
Movement for the year	-	-	-	-
Balance at 31 December	42 751 736	42 751 736	4 358 468	4 358 468

The non-distributable reserve is attributable to the net effect of the restatement of assets and liabilities previously denominated in Zimbabwean dollars on 21 January 2009. The assets and liabilities were restated to the United states dollar using the guidance issued by the Public Accountants and Auditors Board and Zimbabwe Stock Exchange in 2009.

24.4 Revaluation reserve

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 January	-	-	39 948 518	39 948 518
Movements during the year	-	-	1 791 815 836	-
Balance at 31 December	-	-	1 831 764 354	39 948 518

The movement in the revaluation reserve is attributable to the revaluation of the Company's investment properties perfomed by Messrs Capital Valuation consultancy on 31 December 2019.

24.5 Employee share option scheme

As at 31 December 2019, the Company maintained an employee share option scheme known as the" Hwange Colliery Company Limited Share Option Scheme. "The scheme is designed to attract and retain employees. Share options under this scheme are allocated annually to employees if a specified period of service has been completed. The period of service ranges from 1 to five years depending on the employee's grade. Upon vesting, each option allows the holder to purchase ordinary shares at a discount of 80% of the market price determined at grant date.

During the year ended 31 December 2019 no shares (2018: nil) were allocated to employees under the employee share option scheme.

24.6 Borrowing powers

In terms of the Articles of Association paragraph 60, registered with the Registrar of Companies on 21 April 1992, the total borrowing powers of the Company may not, without the sanction of Annual General Meeting, exceed an amount equal to three (3) times the aggregate of the nominal amount of the issued and paid up capital and the capital and revenue reserves of the Company.

The Company failed to comply with the borrowing powers in accordance with the Company's Articles of Association.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

25 DIRECTORS' REMUNERATION

Remuneration of the Company's directors' disclosed is pursuant to Section 8.63(l) of the JSE Listing requirements. The directors' remuneration for the year ended 31 December 2019 was as follows:

				Inflation Adjusted			Historical
	Salary ZWL	Retirement and medical contributions ZWL	Other benefits and allowances ZWL	2019 Total ZWL	2018 Total ZWL	2019 Total ZWL	2018 Total ZWL
Executive Director							
Mr. S.T. Makore - Managing Director (Appointed 1 June 2014)	-	-	-	-	-	-	158 204
Mr. S. Manamike - Acting Managing Director	-	-	-	-	-	-	128 233
DR. C. Zinyemba - Acting Managing Director(Appointed November 2018)	138 763	166 006	259 805	2 579 328	960 449	564 574	154 628
	138 763	166 006	259 805	2 579 328	960 449	564 574	441 065

							Inflation Adjusted			Historical
	Fees ZWL	Board meetings ZWL	Audit committee ZWL	Human resources committee ZWL	Marketing committee ZWL	Technical committee ZWL	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Non-Executive										
Directors										
Mrs. J. Muskwe	-	-	-	-	-	-	-	129 507	-	20 850
Acting Chairman	-	-	-	-	-	-	-	-	-	-
Mr. V. Vera	-	-	-	-	-	-	-	103 978	-	16 740
Mrs. N. Masuku (Appointed 13/05/2016)	-	-	-	-	-	-	-	103 978	-	16 740
Mr E. N Tome (Appointed 24/03/2017)	-	-	-	-	-	-	-	105 841	-	17 040
	-	-	-	-	-	-	-	443 304	-	71 370

In accordance with the Reconstruction of State-Indebted Insolvent Companies Act [Chapter 24:27] (No 27 of 2004), the board ceased to exist on the 26th of October 2018 when Hwange Colliery Company was placed on Administration.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

26 LEASE LIABILITY

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Non-current	400 000	3 105 675	400 000	500 000
Current	527 234	5 038 585	527 234	811 190
	927 234	8 144 260	927 234	1 311 190
The lease liability carrying amount is disclosed as follows:				
26.1 OK Zimbabwe				
Long-term portion	400 000	3 105 675	400 000	500 000
Add: Short-term portion	527 234	5 038 585	527 234	811 190
	927 234	8 144 260	927 234	1 311 190
Lease liability				
Principal	1 000 000	6 211 350	1 000 000	1 000 000
Repayment/(Finance charges capitalised)	(72 766)	1 932 910	(72 766)	311 190
	927 234	8 144 260	927 234	1 311 190

This OK Zimbabwe lease is a Build Operate and Transfer agreement for the establishment of a supermarket building. OK Zimbabwe funded the construction of the building for its own occupation for a period of 9 years and 11 months. The estimated cost of construction is ZWL 1,000,000 and the interest rate is 10 % per annum.

27 BORROWINGS

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
27.1 Long-term loans				
Export Import Bank of India (EXIM)	-	89 629 782	-	14 430 000
Government of Zimbabwe	162 307 704	858 250 271	162 307 704	138 174 513
Zimbabwe Asset Management Corporation (ZAMCO)	17 384 581	104 281 108	17 384 581	16 788 799
	179 692 285	1 052 161 161	179 692 285	169 393 312
Less current portion of loan	-	-	-	-
	179 692 285	1 052 161 161	179 692 285	169 393 312
27.2 Short-term loans				
CBZ	-	3 388 012	-	545 455

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

27.3 Borrowing terms

Export Import Bank of India (EXIM)

This is a ZWL13,005,760 (principalandinterest) loan guaranteed by the Reserve Bank of Zimbabwe, taken for the purposes of financing the purchase of coal mining equipment. Interest is charged at a rate of LIBOR+3.5%p.a. The Governement of Zimbabwe took over the loan in February 2019.

Government of Zimbabwe

As part of the ongoing restructuring plan, the Government of Zimbabwe through the Ministry of Finance and Economic Development issued Treasury Bills of ZWL41million and ZWL18.216 million in settlement of the Mota Engiland RBZ/PTA Bank loan, respectively. The Government of Zimbabwe has agreed that the government support be treated as a loan payable over 15 years witha 7% interest per annum in accordance with the provisions of the scheme of arrangement.

An additional ZWL 52.3 million worth of treasury bills were issued towards the Scheme of Arrangement bringing the total support from the Government of Zimbabwe to ZWL 111. 5 million worth of treasury bills, as approved by the Ministry of Finance and Economic Development.

27.3 Borrowing terms

Zimbabwe Asset Management Corporation (ZAMCO)

Zimbabwe Asset Management Corporation (ZAMCO) took over USD16,201,625 (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.

28 TRADE AND OTHER PAYABLES- LONG-TERM

	Inflation Adjusted		Historical	
		2018		2018
	ZWL	ZWL	ZWL	ZWL
Trade	465 107 488	558 236 907	465 107 488	89 873 683
Other	83 517 573	761 744 867	83 517 573	122 637 568
	548 625 061	1 319 981 774	548 625 061	212 511 251
Trade and other payables- Current				
Trade	104 882 523	102 355 881	104 882 523	16 478 846
Other	71 564 016	137 675 668	71 564 016	22 165 176
	176 446 539	240 031 549	176 446 539	38 644 022

29 INCOME TAX LIABILITY

Balance at 1 January	10 054 850	62 454 193	10 054 850	10 054 850
Movement	-	-	-	-
Balance at 31 December	10 054 850	62 454 193	10 054 850	10 054 850

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

30 PROVISIONS

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Provision for rehabilitation (note 30.1)	13 069 319	53 937 346	13 069 319	8 683 675
Other provisions (note 30.2)	12 579 434	46 449 006	12 579 434	7 478 085
	25 648 753	100 386 352	25 648 753	16 161 760
30.1 Provision for rehabilitation				
At 1 January	8 683 675	44 830 463	8 683 675	7 217 507
Charged to profit or loss:				
Additional provisions made during the year	4 385 644	9 106 883	4 385 644	1 466 168
Amounts used during the year	-	-	-	-
At 31 December	13 069 319	53 937 346	13 069 319	8 683 675

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 administrators 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.

	Inflation Adjusted		Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
30.2 OTHER PROVISIONS				
Death benefits	4 901 005	25 440 454	4 901 005	4 095 801
Leave pay and bonus provisions	7 678 429	21 008 552	7 678 429	3 382 283
	12 579 434	46 449 006	12 579 434	7 478 084

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

31 FAIR VALUE MEASUREMENT

31.1 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2019:

	Inflation Adjusted			
31 December 2019	**Level 1 ZWL**	**Level 2 ZWL**	**Level 3 ZWL**	**Total ZWL**
Investment property:				
Land situated in Harare with an administration building	60 372 000	-	-	60 372 000
Land situated in Bulawayo with an administration building	18 447 000	-	-	18 447 000
Land situated in Bulawayo with a residential building	838 500	-	-	838 500
Land situated in Bulawayo with a residential building	670 800	-	-	670 800
	80 328 300	-	-	80 328 300
31 December 2018	**Level 1 ZWL**	**Level 2 ZWL**	**Level 3 ZWL**	**Total ZWL**
Investment property:				
Land situated in Harare with an administration building.	21 118 590	-	-	21 118 590
Land situated in Bulawayo with an administration building.	6 211 350	-	-	6 211 350
Land situated in Bulawayo with a residential building.	310 568	-	-	310 568
Land situated in Bulawayo with a residential building.	248 454	-	-	248 454
	27 888 962	-	-	27 888 962

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2019:

			Historical	
31 December 2019	**Level 1 ZWL**	**Level 2 ZWL**	**Level 3 ZWL**	**Total ZWL**
Investment property:				
Land situated in Harare with an administration building	60 372 000	-	-	60 372 000
Land situated in Bulawayo with an administration building	18 447 000	-	-	18 447 000
Land situated in Bulawayo with a residential building	838 500	-	-	838 500
Land situated in Bulawayo with a residential building	670 800	-	-	u670 800
	80 328 300	-	-	80 328 300
31 December 2018	**Level 1 ZWL**	**Level 2 ZWL**	**Level 3 ZWL**	**Total ZWL**
Investment property:				
Land situated in Harare with an administration building.	3 400 000	-	-	3 400 000
Land situated in Bulawayo with an administration building.	1 000 000	-	-	1 000 000
Land situated in Bulawayo with a residential building.	50 000	-	-	50 000
Land situated in Bulawayo with a residential building.	40 000	-	-	40 000
	4 490 000	-	-	4 490 000

The investment properties were valued on 31 December 2019 by Messrs Capital Valuation, an independent, professionally qualified valuer. The fair value was determined based on current prices in an active market for similar property in the same location and condition. A fair value gain of ZWL 75,838,300 was realised in 2019 as a result of the independent valuation exercise. Management determined that the effect of changes in fair values between the valuation report date and reporting date is immaterial.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

32 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

32.1 Accounting judgements

Current and deferred tax

The Company is subject to income tax; significant judgment is required in determining the provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax assessment based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Where the actual final outcome (on the judgement areas) differs from management estimates, the Company will need to increase the income and deferred tax liability if unfavourable or decrease the income and deferred tax liability if favourable.

32.2 Accounting estimates and assumptions

The Company makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Property, plant and equipment.

Items of property, plant and equipment are depreciated over their estimated useful lives taking into account residual values where appropriate. The useful lives and the residual values are re-assessed annually and may vary due to factors such as technological innovation and maintenance programmes in place.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

33 GOING CONCERN

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

33.1 Net current position

As at 31 December 2019, the Company's total current liabilities exceeded total current assets resulting in a negative current position of ZWL 27,715,599. This means that the Company is unable to settle its short-term obligations as they fall due.

33.2 Low machine availability

The Company experienced low machine availability mainly as a result of technical challenges faced in operating the equipment and indaquate 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 is 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:

Hwange Colliery Company in its 2nd 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 which resulted in liabilities of the Company exceeding assets which is technically insolvent. This is expected to continue giving a cushioning Effect from litigations on legacy debts to try and give the company a chance to overcome the bottlenecks which were centered on poor production and sales volumes.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

33 GOING CONCERN (Cont'd.)

33.2 Low machine availability (Cont'd.)

In 2019 the administration team together with management managed to stabilise the operations of the Company and also managed to plug all the leakages that were bleeding the Company. The company's survival strategy for 2019 was to be centred on own production which was going to be driven by the recapitalisation programme which was put in place and saw the Company receiving two state-of-the-art Liebherr excavators, two electric pumps and a bus for the employees . The equipment was however delivered much later than expected which affected the plans for 2019. After commissioning the equipment we how ever discovered that there was also need to sort out the haulage capacity and also there was need for a major repair work on the continuous miner.

Comprehensive production and sales plan

The Company has put a plan in place to sort out the haulage capacity, the washing capacity as well as undertaking the major repairs on the continuous miner. This will ensure that the Company achieves the comprehensive production and sales plan which will be driven by own mining at 3 Main underground mine and JKL opencast mine as well as the contractor at Chaba. This plan will see 3 Main producing an average of 30 000 MT per month of high value coking coal from April to July 2020 and will increase production to 35 000 MT from August to December 2020. JKL operation will produce an average of 80 000 MT per month in the first half of 2020 and increase the volumes to 100 000 in the half of the year. The production mix will be 50% power coal and 50% high value coking coal. The mining contractor is also expected to produce 100 000 MT per month as from March 2020. The mix will be 50% industrial coal and 50% power coal. This production plan will see the Company shifting away from the traditional approach of over relying more on the contractor capacity.

The sales plan will be driven by the sale of high value coking coal to mainly coke batteries and industry. The Company has capacity and market to produce and sell a minimum of 45 000 MT of coking coal locally. The Company is still pursuing the efforts of penetrating the Southern Africa market which has potential for 30 000 MT of coking coal and will bring in the much needed foreign currency. The company is currently putting in place a mechanism to raise significant amounts of foreign currency from both exports and domestic sales. The foreign currency will be used to fund working capital and capital projects that are required to increase production to 135 000 MT for HCCL's own mining.

The key projects that are expected to stabilise production to the planned level of 135 000 MT for HCCL own mining include the acquisition of 54 tyres, a bulldozer and a grader for opencast, increasing the washing capacity for Met Ops and acquisition of a new LHD for 3 Main. There is also a plan to open up a second section for the underground mine. The projects will be funded mainly from the internally generated resources through the sale of coking coal and industrial coal mainly from the Chaba mine.

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.

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 are adjusted a bit through engagements with all the creditors.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

34 FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2019

	Loans and receivables ZWL	Financial assets at fair value through profit or loss ZWL	Total ZWL
Assets as per statement of financial position			
Trade and other receivables	128 197 171	-	128 197 171
Cash and cash equivalents	11 380 994	-	11 380 994
Total	139 578 165	-	139 578 165

	Financial liabilities at fair value through profit or loss ZWL	Other financial liabilities at amortised cost ZWL	Total ZWL
Liabilities as per statement of financial position			
Borrowings (excluding finance lease liabilities)	-	179 692 285	179 692 285
Finance lease liabilities	-	927 234	927 234
Trade and other payables	-	176 446 539	176 446 539
Total	-	357 066 058	357 066 058

31 December 2018

	Loans and receivables ZWL	Financial assets at fair value through profit or loss ZWL	Total ZWL
Assets as per statement of financial position			
Trade and other receivables	31 914 245	-	31 914 245
Cash and cash equivalents	1 562 699	-	1 562 699
Total	33 476 944	-	33 476 944

	Financial liabilities at fair value through profit or loss ZWL	Other financial liabilities at amortised cost ZWL	Total ZWL
Liabilities as per statement of financial position			
Borrowings (excluding finance lease liabilities)	-	169 938 767	169 938 767
Finance lease liabilities	-	1 311 190	1 311 190
Trade and other payables	-	38 644 022	38 644 022
Total	-	209 893 979	209 893 979

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise finance lease liabilities, 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 main risks arising from the Company`s financial instruments.

The Administrator reviews and agrees on policies for managing each of these risks which are summarised below:

35.1 Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Company assumes foreign credit risk only on customers approved by the Administrator 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.

35.2 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 fixed rate debts.

35.3 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 Zimbabwean 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 is not significant.

35.4 Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was not adequately met for the reporting periods. Funding for long-term liquidity needs is not readily available on the market due to tight liquidity on the local and regional financial markets.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables do not exceed the current cash outflow requirements. Cash flows from trade and other receivables are all collectible within six months and trade and other payables are contractually due within six months.

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

35.4 Liquidity risk (Cont'd.)

The table below summarises the maturity profile of the Company's financial liabilities at the year end based on contractual undiscounted payments.

	Current		Non-current	
	within 6 months ZWL	6 to 12 months ZWL	1 to 5 years ZWL	Later than 5 years ZWL
At 31 December 2019				
Trade and other payables	176 446 539	-	548 625 061	-
Finance lease liabilities	527 234	-	400 000	-
Loans payable	-	-	179 692 285	-
	176 973 773	-	728 717 346	-
At 31 December 2018				
Trade and other payables	38 644 022	-	212 511 251	-
Finance lease liabilities	811 190	-	500 000	-
Loans payable	-	-	169 393 312	-
	39 455 212	-	382 404 563	-

36 CAPITAL MANAGEMENT POLICIES AND PROCEDURE

The Company's capital management objectives are designed to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Company monitors capital on the basis of the carrying amount of debt finance as a portion of the Company's total debt plus equity finance as presented on the face of the statement of financial position. Management's goal in capital management is to maintain a debt capital-to-overall financing ratio of 1 : 2. This is in line with the Company's covenants resulting from the debt finances it has taken out.

The Company sets the amount of debt capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting period under review is summarised as follows:

	2019 ZWL	2018 ZWL
Debt capital	180 619 519	171 249 957
Equity capital	1 354 516 213	(290 024 646)
Debt capital	180 619 519	171 249 957
Overall financing (debt + equity)	1 535 135 732	(118 774 689)
Debt capital-to-overall financing ratio	12%	(144%)

Notes to the Financial Statements (cont'd.)

for the year ended 31 December 2019

37 CONTINGENT LIABILITIES

37.1 Significant litigation cases

There were no significant litigation cases pending against the Company as at year end.

38 FAIR VALUE DETERMINATION OF TRANSACTIONS, ASSETS AND LIABILITIES

The determination of fair values presented in the financial statements is affected by the prevailing economic environment. During the course of the year the Company traded in both local ZWL$ and in foreign currency. The official rate between the US dollar and ZWL$ balances was pegged officially at 1:1 for the two months (January & February of 2019). On 20 February the government of Zimbabwea promulgated SI 33 of 2019 which prescribed the ZWL$ as the sole currency of reference. The Company adopted the ZWL$ as the reporting currency effective 1 March 2019. Transactions completed for the period January and February 2019 were not restated as they were translated at the prevailing exchange rate of 1:1.

39 ADMINISTRATION

The government on the 26th of October 2018 granted a reconstruction order for Hwange Colliery Company Limited under the Reconstruction of State-Indebted Insolvent Companies Act [Chapter 24:27] (No 27 of 2004)

39.1 The following were appointed:

Mr. B. Moyo	Administrator
Ms. Mutsa Mollie Jean Remba	Assistant Administrator
Mr. Munashe Shava	Assistant Administrator

40 EVENTS AFTER REPORTING PERIOD

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Five Year Record

for the year ended 31 December 2019

	12 Months December 2019	12 Months December 2018	12 Months December 2017	12 months December 2016	12 Months December 2015
SHARE PERFORMANCE					
Shares in issue	183 720 699	183 720 699	183 720 699	183 720 699	183 720 699
Net asset value per share (cents)	1 416.85	55.76	86.88	(48.12)	(26.00)
Loss per share (cents)	(0.50)	(0.43)	(0.24)	(0.63)	(0.63)
Share price at 31 December (cents)	-	-	3	3	3
Number of shareholders	4 332	4 332	4 332	4 332	4 332
RESULTS					
Turnover ($ZWL)	422 227 974	69 144 019	54 497 858	39 911 465	67 576 220
Profit/(Loss) after tax ($ZWL)	(91 109 521)	(78 442 683)	(43 837 740)	(89 909 990)	(115 056 773)
SALES					
Coal tonnes	1 220 698	1 523 619	1 274 707	910 105	1 504 400
Coke tonnes	44	263	13 779	3 293	53 874
Tar - kgs					
Benzole products - litres					
Coke oven gas - normal cubic metres					
FINANCIAL RATIOS					
Issued share capital ZLW	45 962 789	45 962 789	45 962 789	45 962 789	45 962 789
Total reserves ZLW	1 308 553 424	(335 987 434)	(257 544 751)	(214 284 967)	(124 374 977)
Shareholders' equity ZLW	1 354 516 213	(290 024 645)	(211 581 962)	(167 744 222)	(77 834 232)
Deferred taxation ZLW	509 753 956				
Long term liabilities ZLW	1 248 526 152	392 459 413	371 194 538	79 334 350	29 659 003
Current assets to current liabilities	1.13:1	0.89:1	1.62:1	0.12:1	0.23:1
Acid test (current assets excluding stock to current liabilities)	0.69:1	0.59:1	0.59:1	1.04:1	0.07:1
Long and medium term liabilities as a percentage of shareholders' equity (%)	92%	135%	175%	47%	0
Number of employees	2 022	2 043	2 043	2 035	2 117

Top 20 Shareholders

for the year ended 31 December 2019

RANK	NAMES	TAX	INDUSTRY	SHARES	PERCENTAGE
1	GOVERNMENT OF ZIMBABWE	GOV	GOV	67 555 968	36.77
2	MESSINA INVESTMENTS LIMITED (NNR)	FC	FC	30 510 331	16.61
3	MITTAL STEEL AFRICAN INVESTMENTS	FC	FC	17 777 034	9.68
4	LONDON REGISTER	NNR	NNR	12 516 576	6.81
5	NATIONAL SOCIAL SECURITY AUTHORITY	PF	PF	11 445 761	6.23
6	HAMILTON & HAMILTON TRUSTEES LTD-NNR	FC	FC	9 415 970	5.13
7	JOHANNESBURG REGISTER	NNR	NNR	3 316 258	1.81
8	MR NICHOLAS RHODES HAMILTON-NNR	NNR	NNR	2 865 346	1.56
9	LOCAL AUTHORITIES PENSION FUND	PF	PF	1 854 571	1.01
10	STANBIC NOMINEES (PVT) LTD	LC	LN	1 260 852	0.69
11	TANRANGE INVESTMENTS (PVT) LTD	LR	LC	1 035 332	0.56
12	GURAMATUNHU FAMILY TRUST	LR	INV	1 008 458	0.55
13	ALEXANDER SETH HAMILTON	LR	LR	1 000 000	0.54
14	EUGENIE BRITANNIA HAMILTON	LR	LR	1 000 000	0.54
15	MAXMILIAN RHETT HAMILTON	LR	LR	1 000 000	0.54
16	ORRIE LINCOLN HAMILTON	LR	LR	1 000 000	0.54
17	RICHMOND LOUIS HAMILTON	LC	LR	1 000 000	0.54
18	NEPSON MOYO	TR	LR	749 884	0.41
19	TANVEST PRIVATE LIMITED	PF	LC	689 616	0.38
20	THOMPSON KAMBA	LR	LR	500 796	0.27
	Selected Shares			167 502 753	91.17
	Non - Selected Shares			16 217 946	8.83
	Issued Shares			183 720 699	100.00

The Company's Listing on the Zimbabwe Stock Exchange was suspended on 2 November 2018 and remains suspended.

Notes

Notes

Proxy Form

The Hwange Colliery Company Limited 2019 AGM has been subsumed in the statutory meeting of shareholders to be held in terms of the Reconstruction of State-Indebted Insolvent Companies Act ("Chapter 24:27) ("the Reconstruction Act"), which shall be called by the Administrator.

To that extent, the provisions of the Reconstruction Act override those of the Companies Act, and consequently, shareholders are notified that they shall receive a separate Administrator's Report and notice to attend the Statutory Meeting of Shareholders in terms of the Reconstruction Act.

RUGARE DHOBBIE
CORPORATE AFFAIRS MANAGER & ACTING COMPANY SECRETARY

1 June 2019