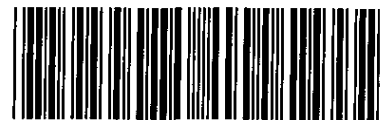


**PRECIS (2696) LIMITED**  
**GROUP STRATEGIC REPORT, DIRECTORS' REPORT AND**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

Chanter, Browne & Curry  
1 Plato Place  
72-74 St Dionis Road  
Fulham  
London  
SW6 4TU

FRIDAY

TU



\*AB4EQVGB\*

A02 20/05/2022 #56

COMPANIES HOUSE

\*AB3PAE36\*

A02 10/05/2022 #59

COMPANIES HOUSE

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Group Strategic Report</b>	<b>2</b>
<b>Directors' Report</b>	<b>4</b>
<b>Statement of Directors' Responsibilities</b>	<b>5</b>
<b>Independent Auditors' Report</b>	<b>6</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>10</b>
<b>Consolidated Statement of Financial Position</b>	<b>11</b>
<b>Company Statement of Financial Position</b>	<b>13</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>14</b>
<b>Company Statement of Changes in Equity</b>	<b>15</b>
<b>Consolidated Statement of Cash Flows</b>	<b>16</b>
<b>Notes to the Consolidated Statement of Cash Flows</b>	<b>17</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>18</b>

**PRECIS (2696) LIMITED**

**COMPANY INFORMATION**

**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**DIRECTORS:**

D A Hamilton  
R W J Strong

**REGISTERED OFFICE:**

5 Young Street  
London  
W8 5EH

**REGISTERED NUMBER:**

06201956 (England and Wales)

**AUDITORS:**

Chanter, Browne & Curry  
1 Plato Place  
72-74 St Dionis Road  
Fulham  
London  
SW6 4TU

## **PRECIS (2696) LIMITED**

### **GROUP STRATEGIC REPORT FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

The directors present their strategic report on the group for the period ended 30 June 2020.

#### **PRINCIPAL ACTIVITIES**

The company's principal activity during the period was that of a holding company for one holding company, Export Leaf Tobacco Company of Africa (Pvt) Ltd registered in Zimbabwe. Export Leaf Tobacco Company of Africa (Pvt) Ltd has a 70% shareholding in Tobacco Processors Zimbabwe (Pvt) Ltd whose core business is processing tobacco to customer's specification.

#### **REVIEW OF BUSINESS**

The directors report a decrease in sales volumes compared to 2018 but expect an increase in volumes and results in the years to come.

The results of the business for the period ended 30 June 2020 are set out on page 10.

The directors use a range of performance measures to monitor and manage the business. Certain of these are particularly important in the generation of shareholder value and are considered key performance indicators (KPI's). Our KPI's measure past performance and also provide information to allow us to manage the business in the future. Turnover, operating profit and processing quality indicate the activity of the company and the efficiency with which we have turned operating performance into value for the shareholder. KPI's for the year under review are shown in the table below.

Group	2020 £'000	2018 £'000
Turnover	37,172	28,283
Operating profit/(loss)	2,568	(255)
Leaf final product index	98.72%	98.37%
Overall yield	87.76%	81.17%

#### **FUTURE DEVELOPMENTS**

There are no material future developments envisaged other than restoration and upkeep of plant and equipment in Tobacco Processors Zimbabwe (Private) Limited.

The directors consider that the development and performance of the group during the period and state of the group's affairs as at the reporting date are satisfactory and that the outlook for the future performance of the group is favourable.

#### **RESULTS**

The group profit for the period after taxation attributable to equity holders of the parent amounted to £1,046,000 (2018: £1,405,000 loss).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Currency issue**

The company's subsidiaries operate in Zimbabwe, whose local currency has officially been in hyperinflation since 1 July 2019. In the prior year, the Zimbabwean environment operated in a multiple currency regime, with the group's operating entities determining the United States Dollar as their functional currency. Following various developments in the country that impacted the factors for the determination of functional currency, for the current year all entities whose functional currency is primarily ZWL (previously "RTGS") have prepared financial statements in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. IAS 29 requires fixed assets to be revalued, which has given rise to substantial revaluation gains.

UK pounds continue to be the company's functional and the group's presentation currency.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The group's financial assets and liabilities consist of trade receivables and payables, cash balances and bank overdrafts. The directors manage the group's exposure to financial risk by researching the credit worthiness of customers and by seeking advice from the group's providers of finance and its other external financial advisers. Currency risk is restricted to the short term settlement of trading balances with customers and suppliers. The group does not trade speculatively in derivatives or similar instruments.

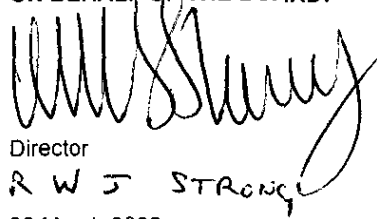
**PRECIS (2696) LIMITED (REGISTERED NUMBER: 06201956)**

**GROUP STRATEGIC REPORT  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**RESEARCH AND DEVELOPMENT**

The group will continue its policy of investment in research and development in order to obtain a competitive position in the market.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'R W J Strong', written over the printed name.

Director

R W J STRONG

30 March 2022

**DIRECTORS' REPORT  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

The directors present their report with the financial statements of the company and the group for the period 1 January 2019 to 30 June 2020.

**DIVIDENDS**

No dividends will be distributed for the period ended 30 June 2020.

**EVENTS SINCE THE END OF THE PERIOD**

Information relating to events since the end of the period is given in the notes to the financial statements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

D A Hamilton  
R W J Strong

Other changes in directors holding office are as follows:

H B A J von Pezold - resigned 6 March 2020  
J S Alphin - resigned 6 March 2020  
T J Bartle - resigned 6 March 2020

**FINANCIAL STATEMENTS**

As explained more fully in the statement of directors' responsibilities on page 5, the directors note that the financial statements have been qualified by the auditors who believe that the financial statements are technically coherent but, given the non-convertibility of functional currency to hard currency, the financial statements do not accurately reflect the state of the group. Mindful of the statutory requirement to file the financial statements the board have resolved by unanimous declaration, in accordance with the company's Articles of Association, to approve the financial statements, which resolution is considered in good faith to be most likely to promote the success of the company for the benefit of the members as a whole.

**OTHER STATUTORY INFORMATION**

Certain provisions of the Companies Act 2006 require us to make additional disclosures. A number of these disclosures can be found in the Strategic Report as set out below:

- Future developments
- Financial instruments and risk management
- Research and development activities.

**STATEMENT OF DISCLOSURE TO AUDITORS**

Each of the directors confirms that:

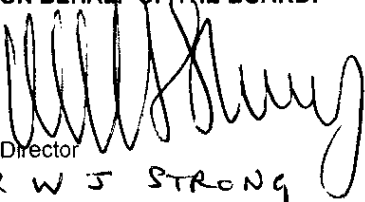
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s. 418 of the Companies Act 2006.

**AUDITORS**

The auditors, Chanter, Browne & Curry, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
Director  
R W J STRONG

30 March 2022

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

The directors are responsible for preparing the strategic report and directors' report and the financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

**Compliance with International Financial Reporting Standards (IFRS), laws and regulations**

These financial statements are prepared with the aim of complying with International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions. These financial statements have been properly prepared in accordance with the accounting policies in note 3 and comply with the disclosure requirements of the Companies Act 2006.

While full compliance with IFRS has been possible in the previous periods, only partial compliance was achieved for 2018. The IFRS Conceptual Framework, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of an entity, for use in preparing its financial statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 (SI 33) of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework as also enunciated in the guidance issued by the Zimbabwe Public Accountants and Auditors Board. This has resulted in accounting treatment being adopted in the 2018 and 2020 financial statements, which is different from that which would have been adopted if the company had been able to comply with IFRS. As such, the management and directors have been unable to produce financial statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 3 on page 18 seeks to provide users with more information given the context and the aforementioned guidance.

**Going concern**

The directors have assessed the ability of the group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRECIS (2696) LIMITED**

### **Adverse opinion**

We have audited the financial statements of Precis (2696) Limited (the 'parent company') and its subsidiaries (the 'group') for the 18-month period ended 30 June 2020 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements including a summary of significant accounting policies (together 'the financial statements'). The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly the accompanying consolidated financial position as at 30 June 2020, and its consolidated financial performance and consolidated cash flows for the 18 months then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2006.

### **Basis for adverse opinion**

#### **1. Impact of incorrect date of application of International Accounting Standard (IAS) 21 'The Effects of Changes in Foreign Exchange Rates'**

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates":

- The entity transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year, there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

- In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity.

The directors had not re-assessed the change in functional currency for the year ended 31 December 2018, as they maintained the balances that were reported in the 2018 financial statements, without recognising the change to ZW\$. Because the group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in material misstatement to the financial performance and cash flows of the group, as transactions denominated in USD were not appropriately translated during that period.

An adverse opinion was issued on the financial statements for the year ended 31 December 2018. If the assessment required by IAS 21 had occurred in the correct period, the adjustments that would have been recognised in the 2018 and 2019 years would have been material. These misstatements are considered to be material and pervasive in the 2020 financial period.

Our opinion on the current period's statement of financial position is modified because of the possible effects of the matter on the comparability of the current period's inflation adjusted financial statements with those of the prior year.

#### **2. Inventory balances maintained in United States Dollar**

The group maintained their inventory records in United States Dollars, despite the change in functional currency to the Zimbabwe Dollar (ZW\$) in the period from 01 January 2019 to 31 December 2019. The inventory balances were revalued in ZW\$ at the end of each reporting period using the period end spot exchange rate. This is inconsistent with the requirements of International Accounting Standard 2 - "Inventories" (IAS 2) which requires the group's inventory to be maintained at the original ZW\$ cost. Consequently, inventory items that were issued and expensed to cost of sales during production and consumables issued and expensed to operating expenses were incorrectly measured at the exchange rate that was prevailing at the date of each transaction, resulting in the misstatement of the cost of sales and operating expenses classes of transaction. Management processed journals through the exchange gains and losses account to correct this position.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRECIS (2696) LIMITED**

However, we were unable to obtain sufficient and appropriate evidence to support the quantum of these adjustments and amounts recognised in the financial statements for inventory maintained in ZW\$. The other balances affected as a result include operating expenses, exchange gains and losses and income tax recognition in the financial statements.

### **3. Valuation of property, plant and equipment and intangible assets for the 12 months ended 31 December 2019**

The group changed its policy on property, plant and equipment from the cost model to a revaluation model. This change in policy was effective from 31 December 2019. The directors performed a director's valuation which was based on what the directors believed was the best estimate of the value of the assets, as at 31 December 2019, without the use of an independent experts. The valuation was done by the directors taking into account the ZW\$ value that would have been paid out as at 31 December 2019 using management's understanding of the market and purchasing parity that existed at that point between the different modes of payment. We were unable to assess whether the approaches used by the directors are consistent with the IFRS and industry norms for similar assets in a similar environment. Consequently, we were unable to determine the reasonability of assumptions applied in determining the valuation of property, plant and equipment, and intangible assets given the specific nature of the group's assets in the prevailing environment.

The directors subsequently engaged a valuation expert to perform the valuation of the property, plant and equipment as at 28 February 2020. Consequently, because of the material misstatement arising from the 31 December 2019 directors' valuation, there has been a resultant effect in the current period, which has resulted on the following items being materially misstated: depreciation and amortisation expenses, property and equipment revaluation gains recognised in other comprehensive income and deferred tax impact on depreciation expense. It is not practicable to quantify the effects, but their impact is considered to be pervasive.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable UK law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Emphasis of matter**

We draw attention to notes 11 and 12 of the financial statements which describe the estimation uncertainty in calculating the impairment of goodwill on consolidation and the fair value of the investment in Export Leaf Tobacco Company of Africa (Private) Ltd. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report, the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for the Adverse Opinion section above, we were unable to obtain sufficient appropriate evidence about the amounts recognised in the financial statements for inventory, cost of sales, operating expenses and exchange gains and losses. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRECIS (2696) LIMITED**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

Apart from the matters outlined above, we have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' 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 a Report of the Auditors 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

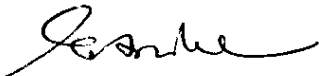
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 group's or the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent 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 group or the parent 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.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
PRECIS (2696) LIMITED**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Browne (Senior Statutory Auditor)  
for and on behalf of Chanter, Browne & Curry  
1 Plato Place  
72-74 St Dionis Road  
Fulham  
London  
SW6 4TU

Date: 30 March 2022

Chanter, Browne & Curry  
Statutory auditor

**PRECIS (2696) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

	Notes	Period 1/1/19 to 30/6/20 £'000	Year Ended 31/12/18 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue		37,172	28,283
Cost of sales		(22,522)	(19,219)
<b>GROSS PROFIT</b>		<b>14,650</b>	<b>9,064</b>
Other operating income	4	4,121	321
Administrative expenses		(16,203)	(9,640)
<b>OPERATING PROFIT/(LOSS)</b>		<b>2,568</b>	<b>(255)</b>
Finance costs	6	(538)	(510)
Finance income	6	40	56
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	7	<b>2,070</b>	<b>(709)</b>
Income tax	8	(151)	(659)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>1,919</b>	<b>(1,368)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Gain on revaluation of PPE		7,991	-
Income tax relating to item that will not be reclassified to profit or loss		(2,358)	-
		5,633	-
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences		(2,320)	264
Non-controlling interests		-	100
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-
		(2,320)	364
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<b>3,313</b>	<b>364</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>5,232</b>	<b>(1,004)</b>
Profit/(loss) attributable to:			
Owners of the parent		1,046	(1,405)
Non-controlling interests		873	37
		1,919	(1,368)
Total comprehensive income attributable to:			
Owners of the parent		2,671	(1,141)
Non-controlling interests		2,561	137
		5,232	(1,004)

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**30 JUNE 2020**

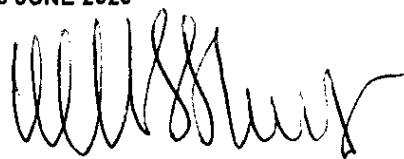
	Notes	2020 £'000	2018 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	12	-	3,674
Owned			
Intangible assets	13	112	61
Property, plant and equipment	14	10,299	5,174
Investment property	15	2,032	935
Right-of-use			
Property, plant and equipment	14, 25	635	-
Investments	16	-	-
Loans and other financial assets	17	-	193
		<u>13,078</u>	<u>10,037</u>
<b>CURRENT ASSETS</b>			
Inventories	18	3,398	3,690
Trade and other receivables	19	4,504	8,208
Cash and cash equivalents	20	1,463	655
		<u>9,365</u>	<u>12,553</u>
<b>TOTAL ASSETS</b>		<u><u>22,443</u></u>	<u><u>22,590</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital		-	-
Share premium	22	10,500	10,500
Revaluation reserve	22	3,944	-
Translation reserve	22	(1,533)	612
Retained earnings	22	(1,717)	(2,589)
		<u>11,194</u>	<u>8,523</u>
Non-controlling interests	21	4,392	1,831
<b>TOTAL EQUITY</b>		<u><u>15,586</u></u>	<u><u>10,354</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	24	227	-
Deferred tax	27	1,847	1,139
		<u>2,074</u>	<u>1,139</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	23	1,676	1,740
Financial liabilities - borrowings			
Bank overdrafts	24	1,511	8,518
Interest bearing loans and borrowings	24	1,149	-
Tax payable		225	371
Provisions	26	222	468
		<u>4,783</u>	<u>11,097</u>
<b>TOTAL LIABILITIES</b>		<u><u>6,857</u></u>	<u><u>12,236</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>22,443</u></u>	<u><u>22,590</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 March 2022 and were signed on its behalf by:

The notes form part of these financial statements

**PRECIS (2696) LIMITED (REGISTERED NUMBER: 06201956)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued**  
**30 JUNE 2020**

A handwritten signature in black ink, appearing to read 'R W J Strong', written in a cursive style.

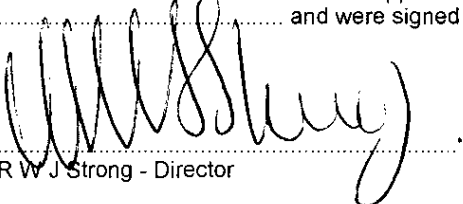
R W J Strong - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION  
30 JUNE 2020

	Notes	2020 £'000	2018 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	12	-	-
Owned			
Intangible assets	13	-	-
Property, plant and equipment	14	-	-
Investment property	15	-	-
Right-of-use			
Investments	16	8,541	9,668
Loans and other financial assets	17	-	-
		<u>8,541</u>	<u>9,668</u>
<b>TOTAL ASSETS</b>		<u>8,541</u>	<u>9,668</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital		-	-
Share premium	22	10,500	10,500
Retained earnings	22	(1,959)	(832)
<b>TOTAL EQUITY</b>		<u>8,541</u>	<u>9,668</u>
<b>LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,541</u>	<u>9,668</u>

The financial statements were approved by the Board of Directors and authorised for issue on ..... and were signed on its behalf by:

  
.....  
R W J Strong - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000
<b>Balance at 1 January 2018</b>	-	(1,109)	10,500	-
Deficit for the year	-	(1,405)	-	-
Other comprehensive income	-	(4)	-	-
Total comprehensive loss	-	(1,409)	-	-
Foreign currency exchange difference	-	(71)	-	-
<b>Balance at 31 December 2018</b>	-	(2,589)	10,500	-
Profit for the period	-	1,046	-	-
Other comprehensive income	-	-	-	3,944
Total comprehensive income	-	1,046	-	3,944
Foreign currency exchange difference	-	(174)	-	-
<b>Balance at 30 June 2020</b>	-	(1,717)	10,500	3,944
	Translation reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	277	9,668	1,694	11,362
Deficit for the year	-	(1,405)	37	(1,368)
Other comprehensive income	335	331	100	431
Total comprehensive loss	335	(1,074)	137	(937)
Foreign currency exchange difference	-	(71)	-	(71)
<b>Balance at 31 December 2018</b>	612	8,523	1,831	10,354
Profit for the period	-	1,046	873	1,919
Other comprehensive income	-	3,944	1,688	5,632
Total comprehensive income	-	4,990	2,561	7,551
Foreign currency exchange difference	(2,145)	(2,319)	-	(2,319)
<b>Balance at 30 June 2020</b>	(1,533)	11,194	4,392	15,586

The notes form part of these financial statements



**PRECIS (2696) LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Share premium £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2018</b>	-	-	10,500	10,500
<b>Changes in equity</b>				
Total comprehensive income	-	(832)	-	(832)
<b>Balance at 31 December 2018</b>	-	(832)	10,500	9,668
<b>Changes in equity</b>				
Total comprehensive income	-	(1,127)	-	(1,127)
<b>Balance at 30 June 2020</b>	-	(1,959)	10,500	8,541

The notes form part of these financial statements

**PRECIS (2696) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

		<b>Period 1/1/19 to 30/6/20 £'000</b>	<b>Year Ended 31/12/18 £'000</b>
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Cash generated from operations	1	8,601	(1,714)
Interest paid		(538)	(510)
Tax paid		(971)	(462)
<b>Net cash from operating activities</b>		<u>7,092</u>	<u>(2,686)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(889)	(900)
Purchase of fixed asset investments		-	(185)
Sale of property, plant & equipment		3	12
Sale of fixed asset investments		193	-
Interest received		40	56
<b>Net cash from investing activities</b>		<u>(653)</u>	<u>(1,017)</u>
<b>Cash flows from financing activities</b>			
New loans in year		1,149	-
Loan repayments in year		-	(147)
Payment of lease liabilities		227	-
<b>Net cash from financing activities</b>		<u>1,376</u>	<u>(147)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>7,815</u>	<u>(3,850)</u>
<b>Cash and cash equivalents at beginning of period</b>	2	(7,863)	(4,013)
<b>Cash and cash equivalents at end of period</b>	2	<u>(48)</u>	<u>(7,863)</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**1. RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	Period 1/1/19 to 30/6/20 £'000	Year Ended 31/12/18 £'000
Profit/(loss) before income tax	2,070	(709)
Depreciation charges	1,070	920
Profit on disposal of fixed assets	-	(4)
Gain on revaluation of fixed assets	(5,067)	-
Amortisation of intangible assets	102	72
Net foreign exchange gains	2,375	(454)
Increase/(decrease) in provisions	(252)	28
Impairment of goodwill	3,674	1,576
Expected credit loss adjustment	-	(3)
Finance costs	538	510
Finance income	(40)	(56)
	<u>4,470</u>	<u>1,880</u>
Decrease/(increase) in inventories	402	(857)
Decrease/(increase) in trade and other receivables	3,847	(3,748)
(Decrease)/increase in trade and other payables	(118)	1,011
<b>Cash generated from operations</b>	<u><u>8,601</u></u>	<u><u>(1,714)</u></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Period ended 30 June 2020**

	30/6/20 £'000	1/1/19 £'000
Cash and cash equivalents	1,463	655
Bank overdrafts	(1,511)	(8,518)
	<u>(48)</u>	<u>(7,863)</u>

**Year ended 31 December 2018**

	31/12/18 £'000	1/1/18 £'000
Cash and cash equivalents	655	76
Bank overdrafts	(8,518)	(4,089)
	<u>(7,863)</u>	<u>(4,013)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**1. GENERAL INFORMATION**

Precis (2696) Limited ('the company') is a non-trading intermediate holding company. Precis (2696) Limited is the parent company of Export Leaf Tobacco Company of Africa (Private) Ltd ('ELT'), a non-trading holding company. ELT in turn owns 70% of Tobacco Processors Zimbabwe (Private) Ltd ('TPZ') which processes and packs tobacco for export. ELT and TPZ are registered and located in Zimbabwe.

The principal accounting policies adopted in the preparation of financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

**2. STATUTORY INFORMATION**

Precis (2696) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

**3. ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

**Basis of preparation of financial statements for the subsidiaries**

There was a reassessment of functional currency for the Zimbabwean entities following various developments in the country that impacted the factors for the determination of functional currency.

On 1 October 2018, the Reserve Bank of Zimbabwe ("RBZ") instructed banks through its Monetary Policy Statement ("MPS") to separate USD balances from RTGS balances and bond notes and required the opening of two separate types of accounts; an RTGS Foreign Currency Account (FCA) for local electronic money transfers and bond note transactions, and a Nostro FCA for actual foreign currency deposits or export proceeds. The RBZ set an exchange rate of 1:1 for RTGS FCAs and USD denominated Nostro FCAs.

On 20 February/ 2019, the RBZ Governor announced a new MPS with the following highlights:

- The denomination of RTGS balances, bond notes and coins collectively as RTGS dollars ("RTGS\$"), and subsequently denominated on 24 June 2019 as Zimbabwe dollars ("ZWL"). RTGS dollars became part of the multi-currency system;
- ZWL was to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions; and
- The establishment of an inter-bank foreign exchange market where the exchange rate would be determined by market forces.

The 20 February 2019 MPS was followed by the publication of Statutory Instrument 33 of 2019 (S133/2019) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS\$ as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on that effective date would be deemed to be RTGS\$ at a conversion rate of 1:1 to the previously USD denominated balances. The converted balances would become opening RTGS\$ values from the effective date and an official opening interbank exchange rate of RTGS\$ to the USD was introduced at 2.5:1. The Group believes that as from 1 October 2018 when USD and RTGS balances were separated by banks, transactions done by way of RTGS balances were not at par with true USD based transactions. Thus, for practical expediency, transactions settled by way of RTGS balances and local bond notes and coins were translated at a rate of 2.5:1 for purposes of reporting in USD for group purposes. The official interbank exchange rate was applied for all RTGS transactions effective from 22 February 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**Change of Reporting Period**

The group changed its financial reporting period from December to June pursuant to acquisition by Rift Valley Group on 6 March 2020. The financial statements cover the 18 month period from 1 January 2019 to 30 June 2020 and the prior period is for the 12 months from 1 January to 31 December 2018. Due to difference in period length the financial statements are not comparable.

**Change of functional currency**

The financial statements of the subsidiaries are presented in United States dollar (US\$). TPZ changed its functional currency from ZWL effective 1 January 2020, which was that company's functional currency as at the reporting date. The current period information is presented in pounds sterling, translated from US\$. The US\$ figures are converted numbers reported in inflation adjusted ZW\$ currency to US\$ at the closing rate of reporting date in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies.

**Financial reporting in hyperinflationary economies**

The historical cost information has been restated for changes in the general purchasing power of the Zimbabwe Dollar and appropriate adjustments and reclassifications have been made.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date.

The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Central Statistical Office. The restated balance sheet numbers were converted to USD using the closing rate.

**CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**a) New standards, amendments and interpretations effective for the first time for 30 June 2020 year ends that are relevant to the Group and Company.**

The following amendments to IFRSs became mandatorily effective in the current period and are relevant to the Group. Some of these amendments to IFRSs generally may require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

**IFRS 16, 'Leases,' effective 1 January 2019** - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low value assets. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

The Group have adopted this standard and the disclosure of the impact of the standard has been made in note 8.1. In the current period, the Group has initially applied IFRS 16, effective the beginning of the Group's current financial period. The Group has applied IFRS 16 using the modified retrospective approach, without the restatement of the comparative information.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on "risks and rewards" in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts. In preparation for the first-time application of IFRS 16, the Group carried out an implementation project. This showed that the new definition of IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**Impact on Lessee Accounting for former operating leases**

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were on the statement of financial position.

Recognises the right-of-use and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments.

Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

Separates the total amount of cash paid into a principal portion (presented within financial activities) and interest (presented within operating activities) in the statement of cash flows.

Initial direct costs are recognised as part of the initial measurement of the right-of-use assets whereas under IAS 17 they resulted in the recognition of a lease prepayment, amortised as a rental expense generally on a straight-line basis over the period of the lease. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. It also resulted in an increase in other expenses. See note 25.

The directors elect to apply the general requirements of IFRS 16 to short-term leases of low value assets and as a result there is no material impact on the consolidated financial statements.

<b>Standard/ Interpretation</b>	<b>Effective date</b>	<b>Executive summary</b>
Amendments to IFRS 9 Prepayment features with Negative Compensation	1 January 2019	The Group has adopted the amendments to IFRS 9 for the first time in the current period. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

<b>Standard/ Interpretation</b>	<b>Effective date</b>	<b>Executive summary</b>
Amendments to IAS 28 Long term interests in Associates and Joint Ventures	1 January 2019	The Group has adopted the amendments to IAS 28 for the first time in the current period. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

**Annual Improvements to IFRS Standards 2015-2017 Cycle**

Amendments to IFRS 3 Business Combinations	1 January 2019	The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.
--	----------------	---

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

<b>Standard/ Interpretation</b>	<b>Effective date</b>	<b>Executive summary</b>
Amendments to IFRS 11 Joint Arrangements	1 January 2019	The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.
Amendments to Income Taxes IAS12	1 January 2019	The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.
Amendments to IAS 23 Borrowing Costs	1 January 2019	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**b) New standards, amendments and interpretations effective for the first time for 30 June 2020 year ends that are not relevant to the Group and Company.**

The following new standards, amendments and interpretations effective for accounting periods beginning on or after 1 January 2020 and not relevant to the Group:

<b>Standard/ Interpretation</b>	<b>Effective date</b>	<b>Executive summary</b>
Amendments to IAS 19 Employee Benefits Amendment, Curtailment or Settlement	1 January 2020	The amendment to IAS 19 'Employee benefits' clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must calculate the current service cost and net interest for the remainder of the reporting period after plan amendment, curtailment or settlement by using the updated assumptions from the date of the change. The entity should then recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement and then separately recognise any changes in the asset ceiling through other comprehensive income.

**c) New standards, amendments and interpretations issued but not effective for the financial period beginning on or after 1 January 2020 and not early adopted.**

<b>Standard/ Interpretation</b>	<b>Effective date</b>	<b>Executive summary</b>
IFRS 3 (amendment)	1 January 2020	The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

<b>Standard/ Interpretation</b>	<b>Effective date</b>	<b>Executive summary</b>
IFRS 10 and IAS 28 (amendment)	1 January 2020	<p>The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.</p> <p>The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.</p>
Conceptual Framework	1 January 2020	<p>The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:</p> <p>increasing the prominence of stewardship in the objective of financial reporting; reinstating prudence as a component of neutrality; defining a reporting entity, which may be a legal entity, or a portion of an entity; revising the definitions of an asset and a liability; removing the probability threshold for recognition and adding guidance on derecognition; adding guidance on different measurement basis, and; stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.</p>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**CONSOLIDATION**

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**a) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the (considered) acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances, unrealised gains and losses on transactions amongst Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**b) Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**c) Disposal of subsidiaries**

When the Group ceases to have control in a subsidiary, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**d) Common control transactions**

A combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Common control transactions are excluded from the scope of IFRS 3: "Business Combinations". The Directors made a policy choice to use predecessor accounting for common control transactions. No assets or liabilities are restated to their fair values, the acquirer incorporates predecessor carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the highest consolidation level in respect of the acquired entity. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.

The acquired entity's results and statement of financial position are incorporated retrospectively from the date on which the business combination between entities under common control occurred. Consequently, the financial statements reflect the results of the acquired entity for the period before the transaction occurred.

**FOREIGN CURRENCIES**

Some entities operating in Zimbabwe applied a multi-tiered pricing structure during the period under consideration, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 - The Effect of Changes in Foreign Exchange Rates would apply.

**(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK pounds, which is the company's functional and the group's presentation currency. The group's subsidiaries have in the previous periods adopted the United States Dollar as its presentation and functional currency. For the 2018 financial statements to comply with local laws and regulations (particularly SI 33 of 2019), and based on the guidance of the Public Accountants and Auditors Board of Zimbabwe (paragraph 27), issued on 21 March 2019, the group's subsidiaries have maintained the US Dollar as the presentation currency. SI 33 has precluded the group from applying an independent assessment of the functional currency as provided for under International Accounting Standards 21 "The Effects of Changes in Foreign Exchange Rates".

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Statutory instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019 all confirmed the parity of 1:1 between RTGS balances and Bond Notes, and the US Dollar. S.I. 33 of 2019 may present challenges in terms of compliance with IFRS due to possible conflict with IAS 21 for some entities. IAS 21 requires the use of a spot rate in accounting for transactions. During the 2018 financial year, the group may have experienced premiums and discounts on the official foreign exchange rate of 1:1 between RTGS balances and Bond Notes, and the US Dollar.

**(c) Group companies**

The results and financial position of the group entities that have a functional currency different from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**GOING CONCERN**

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

**REVENUE RECOGNITION**

IFRS 15 Revenue from Contracts with Customers: Supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services).

The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes removing inconsistencies and perceived weaknesses and improving the comparability of revenue recognition practices across companies, industries and capital markets. In doing so IFRS 15 establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To accomplish this, IFRS 15 requires the application of the following five steps:

- Identify the contract
- Identify the performance obligation(s)
- Determine the transaction price
- Allocate the transaction price to each performance obligation
- Recognise revenue when each performance obligation is satisfied.

IFRS 15 also includes specific guidance related to several additional topics. Furthermore, the guidance significantly enhances the required qualitative and quantitative disclosures related to revenue. The main objective of the requirements is the disclosure of sufficient information in terms of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In order to meet this objective, IFRS 15 requires specific disclosures for contracts with customers and significant judgements.

An assessment has been done on the Group's revenue recognition and current treatment has been found consistent with IFRS 15 requirements hence no impact on the Group's financial statements.

**INTEREST INCOME**

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest.

**GOODWILL**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit and loss and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Negative goodwill is recognised in the income statement.

**INTANGIBLE ASSETS - COMPUTER SOFTWARE**

Separately acquired computer software licences are shown on the basis of the costs incurred to acquire and bring to use specific software. The computer software licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using a straight line method to allocate the cost of computer software licences over their estimated useful life of 5 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition and installation 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 the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Plant and machinery	10 - 35 years
Pallets	10 years
Furniture and equipment	3 - 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income in the statement of comprehensive income.

**INVESTMENT PROPERTY**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical costs less depreciation and any impairment losses. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the cost model. Gains and losses on disposals are determined by comparing proceeds to the carrying amount of the asset and are included in other operating income or expenses in the statement of comprehensive income.

Depreciation on the investment property (excluding land) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
-----------	----------

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**FINANCIAL INSTRUMENTS**

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition was recognised in the opening retained earnings and other reserves for the current period.

Consequently, for notes and disclosure, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments Disclosure.

Financial assets and financial liabilities are recognised in the Group's balance sheet when it becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss). In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

**Financial assets and financial liabilities**

**Financial assets**

Financial assets are classified based on how their performance is managed, evaluated and their contractual cash flow characteristics (the business model). Financial assets are presented as current if their maturity is within 12 months, otherwise they are presented as non-current. The Company classifies financial assets into the following categories:

**- Fair value through profit or loss (FVTPL);**

The Company classifies and measures at fair value through profit or loss financial assets that are not measured at amortised cost or fair value through other comprehensive income.

**- Amortised cost (AC); and**

Financial assets are classified and measured at amortised costs when the Company holds them to collect contractual cash flows that have characteristics of principal amount and interest on the principal amount outstanding. Amortised cost is determined using the effective interest method. Any subsequent impairment is included in the determination of other net income/expenditure.

**- Fair value through other comprehensive income (FVTOCI).**

Financial assets that are equity instruments in their entirety are irrevocably designated, classified and measured at FVTOCI by the Company.

**Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The recoverability of a financial asset is determined from the date it is recognised with a loss allowance recognised for expected losses determined at the initial recognition. The Company measures the loss allowance at an amount equal to the life-time expected losses if credit risk on the financial asset has increased significantly since initial recognition. Credit risk is considered to have significantly increased when supportable information available to the Company indicate that the financial asset would not be recoverable as agreed.

For financial assets that the Company determines the recoverability is unlikely, such that the credit quality has significantly deteriorated and are credit impaired, a life-time expected credit loss is recognised and interest only accrues on the net amount. For trade and other receivables, the Company recognises a loss allowance as a life-time expected credit loss due to their short-term nature. The Company reassesses the life-time expected credit losses at each reporting period and recognises any changes as an impairment gain or loss.

**Financial liabilities**

The Company classifies financial liabilities between amortised costs and fair value through profit or loss. Financial liabilities are not reclassified. Financial liabilities are classified as amortised cost, using the effective interest method. In addition, a financial liability is designated at FVTPL on initial recognition if this designation provides more useful information because: it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or the financial liability forms part of a group of financial assets, financial liabilities or both, that is managed and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this grouping is reported internally to key management on this basis.

**INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**TAXATION**

The tax expense for the period comprises current and deferred tax.

**a) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group and Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current income tax charge is calculated on the basis of the tax laws enacted by the end of the reporting period in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**b) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property and concluded that none of the Group's investment properties are held at fair value. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is rebutted as the investment property is held at cost, and in a business model to substantially consume the economic benefits over time. As a result, the Group has not recognized any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

**c) Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**LEASES**

Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**TRADE RECEIVABLES**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**TRADE PAYABLES**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

**CASH AND CASH EQUIVALENTS**

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

**SHARE CAPITAL**

Ordinary shares are classified as equity.

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

**PROFIT SHARING AND BONUS PLAN**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's employees after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**NATIONAL SOCIAL SECURITY AUTHORITY SCHEME**

The Group and its employees contribute to the National Social Security Authority Scheme in Zimbabwe. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time.

**PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**3. ACCOUNTING POLICIES - continued**

**EMPLOYEE BENEFITS**

**(a) Defined contribution plan**

The Group's employees are members of a defined contribution plan in Zimbabwe. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's subsidiaries and employees in Zimbabwe also contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Group's obligations under the scheme are limited to specific contributions as legislated from time to time. The contributions are recognised as employee benefit expenses in the statement of comprehensive income when they are due.

There is similar legislation for the Group's subsidiaries and employees in Tanzania with the National Social Security Fund which operates in a similar manner.

**(b) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

**(c) Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**4. OTHER OPERATING INCOME**

	Period 1/1/19 to 30/6/20 £'000	Year Ended 31/12/18 £'000
Sundry receipts	20	-
Recharges and recoveries	373	317
Revaluation gain on investment property	1,526	-
Exchange gains	2,202	-
Profit on sale of tangible fixed assets	-	4
	<u>4,121</u>	<u>321</u>

**5. EMPLOYEES AND DIRECTORS**

Group	2020 £'000	2018 £'000
Wages and salaries	13,425	12,434
Social security costs	101	260
Pension costs - defined contribution plans	616	355
	<u>14,142</u>	<u>13,049</u>

The average number of employees during the year, including directors, was made up as follows:

Production	1,643	1,450
Administration	48	84
	<u>1,691</u>	<u>1,534</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

Tobacco Processors Zimbabwe (Private) Ltd operates and contributes to a defined contribution scheme which is funded and administered through a life assurance company. The fund provides pensions for all employees on the permanent staff. Membership of the pension fund is compulsory, except for those employees over the age of 55 joining the payroll.

Remuneration payable to the company's directors has been borne by the parent company of Precis (2696) Limited.

**6. NET FINANCE COSTS**

	Period 1/1/19 to 30/6/20 £'000	Year Ended 31/12/18 £'000
Finance income:		
Interest on overdue trade receivable balances	40	56
Finance costs:		
Interest on bank borrowings	538	510
Net finance costs	498	454

**7. PROFIT/(LOSS) BEFORE INCOME TAX**

The profit before income tax (2018 - loss before income tax) is stated after charging/(crediting):

	Period 1/1/19 to 30/6/20 £'000	Year Ended 31/12/18 £'000
Cost of inventories recognised as expense	4,948	2,382
Depreciation - owned assets	1,068	919
Depreciation - assets on finance leases	62	-
Profit on disposal of fixed assets	-	(4)
Computer software amortisation	40	72
Foreign exchange differences	(2,202)	-
Impairment of goodwill	3,674	1,576
Employee benefit expense	14,142	13,050
Operating lease rentals:- hire of warehouse space	350	973

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**7. PROFIT/(LOSS) BEFORE INCOME TAX - continued**

Fees of £26,000 (2018: £20,000) payable to the company's auditor for the audit of the company and consolidated financial statements have been borne by the parent company of Precis (2696) Limited.

**Expenses by nature**

	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of sales</b>		
Employee benefit expense	7,226	8,434
Canteen costs	1,526	1,311
Production expenses	215	166
Depreciation	889	626
Electricity, steam, coal and water	1,768	1,472
Spares and consumables used	4,948	2,382
Warehousing and handling costs	5,950	4,828
Total cost of sales	<u>22,522</u>	<u>19,219</u>
<b>Administrative expenses</b>		
Employee benefit expense	6,916	4,616
Canteen costs	256	205
Audit fees	98	31
Depreciation and amortisation charges	201	365
ICT maintenance and licenses	481	674
General and cleaning expenses	111	494
Telephone expenses	57	27
Stationery	277	143
Security expenses	637	646
Vehicle running expenses	89	68
Impairment of goodwill	3,674	1,576
Other expenses	3,406	795
Total administration expenses	<u>16,203</u>	<u>9,640</u>
Total cost of sales and administration expenses	<u><u>38,725</u></u>	<u><u>28,859</u></u>

**8. INCOME TAX**

	<b>2020</b>	<b>Company</b>	<b>2018</b>	<b>Company</b>
	<b>Group</b>	<b>£'000</b>	<b>Group</b>	<b>£'000</b>
	<b>£'000</b>		<b>£'000</b>	
Current tax charge	1,585	-	930	-
Deferred tax charge/(credit)	(1,434)	-	(271)	-
	<u>151</u>		<u>659</u>	
Tax rate reconciliation				
Accounting profit/(loss)	911	-	(709)	-
Tax @ 25.75%/24.72% (2018: 25.75%) (tax rates in Zimbabwe)	(235)	-	(183)	-
Tax effect of:				
Expenses not deductible for tax purposes	387	-	774	-
Other	(1)	-	68	-
	<u>151</u>	<u>-</u>	<u>659</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**Current income tax paid**

Current income tax liability/(tax asset) at the beginning of the year	371	-	(113)	-
Income statement charge	1,091	-	930	-
Current income tax paid	(971)	-	(462)	-
Exchange differences	(266)		16	-
Current income tax liability/(tax asset) at the year end	225	-	371	-

9. **LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial period was £1,127,000 (2018 loss: £832,000).

10. **FINANCIAL RISK MANAGEMENT**

**Financial risk factors**

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest risk, credit risk and investment of excess liquidity. The group does not enter into or trade financial instruments for speculative purposes.

**(a) Market risk**

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Group's market risks arise from open market positions in (i) foreign currencies and (ii) interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

**(i) Foreign exchange risk**

Some entities operating in Zimbabwe applied a multi-tiered pricing structure during the period under consideration, where a single product had different prices depending on the mode of payment, whether US Dollar cash, electronic payment, mobile money or bond notes. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 The Effect of Changes in Foreign Exchange Rates would apply.

**(ii) Cash flow and fair value interest rate risk**

The Group's interest rate risk arises from short-term borrowings in the form of bank overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has borrowings issued at variable rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**Interest rate risk sensitivity analysis**

The table below indicates the sensitivity of the Group's statement of comprehensive income to a 5% change in interest rates, with all other variables held constant:

		<b>Effect on profit before income tax 2020 £'000</b>	<b>Effect on profit before income tax 2018 £'000</b>
<b>Interest expense</b>		538	510
5% increase or decrease	plus or minus	27	25
<b>Interest income</b>		40	56
5% increase or decrease	plus or minus	2	3

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contract. The Group's credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks, only those with a strong capital base and international shareholder support, as well as good independently-rated scores are used. For receivables, senior management assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	<b>2020 £'000</b>	<b>2018 £'000</b>
Trade receivables (related party and external to the group)	2,278	5,555
Staff debtors	197	294
Cash at bank	1,463	655
	<u>3,938</u>	<u>6,504</u>

No collateral is held for the above amounts with the exception of staff loans that are salary based.

	<b>2020 £'000</b>	<b>2018 £'000</b>
<b>Amounts that are neither past due nor impaired</b>		
Trade receivables (related party and external to the group)	2,278	4,502
Staff debtors	197	294
Cash at bank	1,463	655
	<u>3,938</u>	<u>5,451</u>

The loans and other amounts due above are neither past due nor impaired. They are repayable on demand and do not have specified maturity dates.

	<b>2020 £'000</b>	<b>2018 £'000</b>
<b>Amounts that are past due but not impaired</b>		
Trade receivables - over two months overdue	-	913
Other receivables	-	120
	<u>-</u>	<u>1,033</u>

These relate to a number of credit customers for whom there is no recent history of default. No collateral is held for these amounts.

	<b>2020 £'000</b>	<b>2018 £'000</b>
<b>Individually impaired financial assets</b>		
Trade receivables	1	20

No collateral is held for these amounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**c) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, using a liquidity risk management policy for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and inter-Group facilities, and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

A maturity analysis of financial instruments is as follows:

	<b>On demand and less than one month £'000</b>	<b>More than one month £'000</b>	<b>Total £'000</b>
<b>At 30 June 2020</b>			
<b>Assets</b>			
Cash and cash equivalents	1,463	-	1,463
Amounts due from related parties	-	1,762	1,762
Amounts due from third parties	-	515	515
Staff debtors	-	197	197
Investment	-	-	-
<b>Total assets</b>	<b>1,463</b>	<b>2,474</b>	<b>3,937</b>
<b>Liabilities</b>			
Trade payables	-	(435)	(435)
Other payables (excluding statutory liabilities)	-	(1,087)	(1,087)
Borrowings	(1,511)	(312)	(1,823)
Shareholder loans	-	(1,064)	(1,064)
<b>Total liabilities</b>	<b>(1,511)</b>	<b>(2,898)</b>	<b>(4,409)</b>
Liquidity gap	(48)	(424)	(472)
Cumulative gap	(48)	(472)	-
<b>At 31 December 2018</b>			
<b>Assets</b>			
Cash and cash equivalents	655	-	655
Amounts due from related parties	1,336	721	2,057
Amounts due from third parties	2,945	533	3,478
Staff debtors	294	-	294
Investment	-	193	193
<b>Total assets</b>	<b>5,230</b>	<b>1,447</b>	<b>6,677</b>
<b>Liabilities</b>			
Trade payables	(1,023)	-	(1,023)
Other payables (excluding statutory liabilities)	(231)	-	(231)
Borrowings	-	-	-
Bank overdraft	(8,518)	-	(8,518)
<b>Total liabilities</b>	<b>(9,772)</b>	<b>-</b>	<b>(9,772)</b>
Liquidity gap	(4,542)	1,447	(3,095)
Cumulative gap	(4,542)	(3,095)	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust capital structure, the Group may adjust dividends paid to the shareholders, issue new shares or sell assets to reduce debt. During 2016, following the cash shortages experienced in Zimbabwe, the Reserve Bank of Zimbabwe re-established some controls on current and capital account transactions. Zimbabwe's central bank established a foreign exchange priority list to guide banks in the distribution of foreign currency towards competing demands.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

The gearing ratio as at 30 June 2020 is as follows:

	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Total borrowings	1,823	8,518
Less cash and bank	(1,463)	(655)
	<hr/>	<hr/>
Net borrowings	360	7,863
Total equity	15,586	10,354
	<hr/>	<hr/>
Total capital	15,946	18,217
Gearing ratio	2.3%	43%

The Group's strategy is to maintain the gearing ratio at below 50%.

**11. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**11.1 Critical judgments in applying accounting policies**

There were no critical judgments, apart from those involving estimations (see note 11.2 below), that the directors have made in the process of applying the Group's accounting policies, and that had a significant effect on the amounts recognised in the financial statements.

**11.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(a) Useful lives of property and equipment**

As described in note 3 above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

During the current year, the directors determined that there were no changes necessary to the useful lives of the property, plant and equipment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**(b) Valuation of property, plant and equipment and associated impairment loss on goodwill**

In light of the macroeconomic environment, the speed of devaluation of the Zimbabwe dollar and associated levels of inflation in Zimbabwe, there is significant judgement pertaining to the valuation of property, plant, and equipment and associated goodwill balances at balance sheet date. TPZ, the group's primary operation, has been established as a tobacco leaf processing operation with minimal annual profits. A valuation derived from a multiple of future cash flows is therefore not deemed to be a fair representation of the value of assets. A more appropriate basis to value assets and appraise goodwill impairment against is the fair value of consideration that could be achieved in the event TPZ assets were disposed of. Market valuations were therefore performed during the period to provide a sound basis to appraise the valuation of assets. The review performed indicated that the current book value of property, plant and equipment and goodwill exceeded the valuation of assets, and as such impairment has been recognised as at 30 June 2020. Whilst it is possible further market deterioration could impact the fair value of these assets, it is considered as the most appropriate source of information to management in the preparation of the 2020 financial statements. Details of the impairment loss calculation are set out in note 12.

In the parent company's balance sheet, impairment has also been recognised in relation to the carrying value of the investment in subsidiary, again using the same fair value basis of valuation.

**(c) Going concern**

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in existence for the foreseeable future. The directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of the financial statements on a going concern basis is still appropriate. However, the directors believe that under the current economic environment, a continuous assessment of the ability of the Group to continue operating 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.

**12. GOODWILL**

<b>Group</b>	<b>£'000</b>
<b>COST</b>	
At 1 January 2019	
and 30 June 2020	6,495
<b>AMORTISATION</b>	
At 1 January 2019	2,821
Charge for period	3,674
At 30 June 2020	6,495
<b>NET BOOK VALUE</b>	
At 30 June 2020	-
At 31 December 2018	3,674

Goodwill has been allocated for impairment testing purposes to Tobacco Processing Zimbabwe (Private) Limited ('TPZ') and Severally Constituted Consultants (Private) Limited ('SCC'). The board considers annually whether there is evidence of impairment of goodwill. The recoverable amount of each of these cash-generating units at 30 June 2020 was arrived at by performing calculations of fair value of net assets based on professional valuations of land and property.

Impairment tests are performed using prevailing exchange rates. The carrying amount of the goodwill on consolidation was found to exceed the recoverable amount by £3,674,000 at 30 June 2020 and accordingly a further impairment charge was recognised for the 2020 financial period.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**13. INTANGIBLE ASSETS****Group**

	<b>Computer software £'000</b>
<b>COST OR VALUATION</b>	
At 1 January 2019	523
Revaluations	372
Exchange differences	(355)
At 30 June 2020	<u>540</u>
<b>AMORTISATION</b>	
At 1 January 2019	462
Amortisation for period	40
Revaluation adjustments	138
Exchange differences	(212)
At 30 June 2020	<u>428</u>
<b>NET BOOK VALUE</b>	
At 30 June 2020	<u>112</u>
At 31 December 2018	<u>61</u>

**14. PROPERTY, PLANT AND EQUIPMENT****Group**

	<b>Land and buildings £'000</b>	<b>Capital WIP £'000</b>	<b>Plant and machinery £'000</b>
<b>COST OR VALUATION</b>			
At 1 January 2019	795	214	9,700
Additions	633	-	208
Disposals	(6)	(122)	-
Revaluations	3,955	-	7,840
Exchange differences	(109)	(92)	(9,968)
At 30 June 2020	<u>5,268</u>	<u>-</u>	<u>7,780</u>
<b>DEPRECIATION</b>			
At 1 January 2019	183	-	6,017
Charge for period	82	-	798
Revaluation adjustments	318	-	3,324
Exchange differences	292	-	(8,277)
At 30 June 2020	<u>875</u>	<u>-</u>	<u>1,862</u>
<b>NET BOOK VALUE</b>			
At 30 June 2020	<u>4,393</u>	<u>-</u>	<u>5,918</u>
At 31 December 2018	<u>612</u>	<u>214</u>	<u>3,683</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**14. PROPERTY, PLANT AND EQUIPMENT - continued**

**Group**

	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Totals £'000</b>
<b>COST OR VALUATION</b>			
At 1 January 2019	1,590	816	13,115
Additions	122	48	1,011
Disposals	-	(491)	(619)
Revaluations	996	383	13,174
Exchange differences	(2,333)	(173)	(12,675)
At 30 June 2020	375	583	14,006
<b>DEPRECIATION</b>			
At 1 January 2019	1,319	422	7,941
Charge for period	105	139	1,124
Revaluation adjustments	946	116	4,704
Exchange differences	(2,232)	(480)	(10,697)
At 30 June 2020	138	197	3,072
<b>NET BOOK VALUE</b>			
At 30 June 2020	237	386	10,934
At 31 December 2018	271	394	5,174

Cost or valuation at 30 June 2020 is represented by:

	<b>Land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Totals £'000</b>
Valuation in 2020	5,268	7,780	375	583	14,006

**15. INVESTMENT PROPERTY**

**Group**

	<b>Total £'000</b>
<b>COST OR VALUATION</b>	
At 1 January 2019	1,586
Revaluations	1,995
Exchange differences	(870)
At 30 June 2020	2,711
<b>DEPRECIATION</b>	
At 1 January 2019	651
Charge for period	6
Exchange differences	22
At 30 June 2020	679
<b>NET BOOK VALUE</b>	
At 30 June 2020	2,032
At 31 December 2018	935

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**15. INVESTMENT PROPERTY - continued**

**Group**

Rental income of £560,000 (2018: £337,000) was realised from the investment property during the period. Direct operating expenses arising from the investment property that generated rental income were £196,000 (2018: £224,000).

Investment property is carried at fair value. Changes in fair value are presented in the statement of comprehensive income as part of other operating income.

A valuation was performed by independent valuers to determine the fair value of the property on 30 June 2020.

Cost or valuation at 30 June 2020 is represented by:

	<b>£'000</b>
Valuation in 2020	2,711

**16. INVESTMENTS**

**Company**

	<b>Shares in group undertakings £'000</b>
<b>COST</b>	
At 1 January 2019	9,668
Impairments	(1,127)
At 30 June 2020	8,541
<b>NET BOOK VALUE</b>	
At 30 June 2020	8,541
At 31 December 2018	9,668

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Subsidiaries**

**Export Leaf Tobacco Company of Africa (Private) Ltd**

Registered office: 4-12 Paisley Road, Harare, Zimbabwe

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary shares	100.00		
		<b>2020</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
Aggregate capital and reserves		103	227
(Loss)/profit for the period/year		(7)	7

The investment in Export Leaf Tobacco Company of Africa (Private) Limited ('ELT') was acquired in 2007 from a then fellow group undertaking. Tobacco Processors Zimbabwe (Private) Limited and Severally Constituted Consultants (Private) Limited are subsidiaries of ELT. The investments in subsidiaries are stated at cost in the company's statement of financial position. Each investment was tested for impairment using prevailing exchange rates and it was found that the fair value of net assets including attributable goodwill exceeded the cost of the subsidiary at year-end and there was no requirement to recognise any impairment amount in the company's statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

## 16. INVESTMENTS - continued

## Company

**Tobacco Processors Zimbabwe (Private) Ltd**

Registered office: 4-12 Paisley Road, Harare, Zimbabwe

Nature of business: Tobacco processing

	% holding	2020 £'000	2018 £'000
Class of shares:			
Ordinary shares	70.00		
Aggregate capital and reserves		13,835	6,105
Profit for the period/year		2,911	129

**Severally Constituted Consultants (Private) Limited**

Registered office: 4-12 Paisley Road, Harare, Zimbabwe

Nature of business: Property investment

	% holding	2020 £'000	2018 £'000
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		1,750	598
Profit for the period/year		848	86

ELT also has shareholdings in the following subsidiaries, all incorporated in Zimbabwe.

	Nature of operations	Shareholding	2020 £'000	2018 £'000
Zimbabwe Tobacco Growing Company (Private) Limited	Dormant	100%	-	-
Heemraad (Private) Limited	Dormant	100%	-	-
Any Quotation (Private) Limited	Dormant	100%	-	-

## 17. LOANS AND OTHER FINANCIAL ASSETS

## Group

	Other loans £'000
At 1 January 2019	193
Repayment in year	(193)
At 30 June 2020	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**17. LOANS AND OTHER FINANCIAL ASSETS - continued****Group**

The investment in Tobacco Processors Zimbabwe Pension Fund was secured by future contributions to the pension fund, this being an amount to allow for the fund to remain compliant to the Insurance and Pensions Commission of Zimbabwe (IPEC) guidelines pending a property investment transaction that is planned for the pension fund. The Fund paid interest at the rate of six per cent per annum and the investment matured during the period.

<b>Financial assets measured at amortised cost</b>	<b>2020</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loan to related parties (see note 31)	-	193,000
	<hr/>	<hr/>
<b>Total investments</b>	-	193,000

**Impairment of financial assets**

In determining the expected credit losses for these assets, the directors of the Group have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of the redeemable notes, bills of exchange and debentures operate obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

**18. INVENTORIES**

	<b>Group</b>	
	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Spares	2,498	3,192
Consumables	900	498
	<hr/>	<hr/>
	<b>3,398</b>	<b>3,690</b>
	<hr/>	<hr/>

The cost of inventory recognised as an expense and included in cost of sales amounted to £4,948,000 (2018: £2,382,000).

**19. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2018</b>	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current:				
Trade receivables - external to the group	516	3,498	-	-
Provision for impairment of trade receivables	(1)	(20)	-	-
Related party receivables	1,762	2,057	-	-
Staff debtors	197	294	-	-
VAT	-	356	-	-
Prepayments and accrued income	2,030	2,023	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>4,504</b>	<b>8,208</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

## 20. CASH AND CASH EQUIVALENTS

	Group	
	2020 £'000	2018 £'000
Cash at bank	1,452	655
Cash in hand	11	-
	<u>1,463</u>	<u>655</u>
Cash and cash equivalents include the following for the purpose of the statement of cash flows:		
Bank overdraft	(1,511)	(8,518)
Cash at bank	1,452	655
Cash in hand	11	-
	<u>(48)</u>	<u>(7,863)</u>

## 21. NON-CONTROLLING INTERESTS

The non-controlling interest is the 30% portion of equity ownership in the subsidiary Tobacco Processors Zimbabwe (Private) Limited not attributable to the parent company, who has a 70% controlling interest and consolidates the subsidiary's financial results with its own.

## 22. RESERVES

Group					
	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Translation reserve £'000	Totals £'000
At 1 January 2019	(2,589)	10,500	-	612	8,523
Profit for the period	1,046	-	-	-	1,046
Revaluation surplus	-	-	3,944	-	3,944
Foreign currency exchange difference	(174)	-	-	(2,145)	(2,319)
At 30 June 2020	<u>(1,717)</u>	<u>10,500</u>	<u>3,944</u>	<u>(1,533)</u>	<u>11,194</u>
Company					
	Retained earnings £'000	Share premium £'000	Totals £'000		
At 1 January 2019	(832)	10,500	9,668		
Deficit for the period	(1,127)	-	(1,127)		
At 30 June 2020	<u>(1,959)</u>	<u>10,500</u>	<u>8,541</u>		

## 23. TRADE AND OTHER PAYABLES

	Group	
	2020 £'000	2018 £'000
Current:		
Trade payables	412	977
Payable to related parties	23	46
Social security and other taxes	154	486
Accruals and deferred income	1,087	231
	<u>1,676</u>	<u>1,740</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

## 24. FINANCIAL LIABILITIES - BORROWINGS

	Group	
	2020 £'000	2018 £'000
<b>Current</b>		
Short-term bank loan	85	-
Shareholder loans	1,064	-
Bank overdraft repayable one year or less	1,511	8,518
	<u>2,887</u>	<u>8,518</u>
<b>Non-current: lease liability (note 25)</b>	227	-

The bank overdraft is secured by shareholders and related party guarantees and bears average interest of 37% per annum (2018: 6.5% per annum). The bank loan was secured by shareholder guarantees and had an interest rate from 6.5% and 7% per annum.

	2020 \$'000	2018 \$'000
<b>Borrowing facilities:</b>		
Nedbank Zimbabwe overdraft facility	343	5,000
CABS overdraft facility	797	6,000
Stanbic loan facility	179	-
CBZ overdraft	268	-
	<u>1,567</u>	<u>11,000</u>
	2020 £'000	2018 £'000
<b>Shareholders' loans</b>		
Northern Tobacco	30	-
Premium Leaf Zimbabwe	865	-
Inter-Continental Leaf	169	-
	<u>1,064</u>	<u>-</u>

The shareholder loans are repayable on demand and bear interest at the rate of 8.8% per annum.

## 25. LEASING

Group  
RIGHT-OF-USE ASSETS

## Property, plant and equipment

	2020 £'000	2018 £'000
<b>COST</b>		
Additions	268	-
Revaluations	411	-
Exchange differences	20	-
	<u>699</u>	<u>-</u>
<b>DEPRECIATION</b>		
Charge for year	62	-
Exchange differences	2	-
	<u>64</u>	<u>-</u>
<b>NET BOOK VALUE</b>	<u>635</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

## 25. LEASING - continued

**Group**  
**LEASE LIABILITIES**

The statement of financial position shows the following amounts relating to leases:

	2020 £'000	2018 £'000
At 1 January 2019	45	-
Restatement	235	-
Interest expense on lease liabilities	43	-
Repayments of lease liabilities	(101)	-
Additions	-	-
Exchange differences	5	-
	<hr/>	<hr/>
At 30 June 2020	227	-
	<hr/>	<hr/>
Analysed as:		
Non-current	227	-
Current	-	-
	<hr/>	<hr/>
	227	-
	<hr/>	<hr/>

In previous year, the Group did not recognise any assets or liabilities under IAS 17.

Lease liabilities for leases classified as finance leases were measured by discounting future payments using the average incremental borrowing rate at 1 January 2019. Weighted average rate applied on 1 January 2019 was 17% which later on changed to 34% period following change of economic circumstances in Zimbabwe.

## 26. PROVISIONS

	Legal claims £'000	Gratuity £'000	Bonuses £'000	Other £'000	Total £'000
Balance at 1 January 2018	16	29	53	307	405
Charged to the income statement	-	86	37	18	141
Used during the year	-	(29)	(54)	-	(83)
Exchange differences	-	5	1	(1)	5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	16	91	37	324	468
Charged to the income statement	-	76	1,256	-	1,332
Used during the year	(17)	(15)	(1,109)	(326)	(1,467)
Effects of IAS 29	-	(85)	(36)	-	(121)
Exchange differences	1	2	5	2	10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	-	69	153	-	222
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**(a) Legal claims**

The amount represents a provision for certain legal claims brought against the Group. The provision charge is recognised in profit or loss within administrative expenses. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

**(b) Bonuses**

Bonuses are payable within three months of the finalisation of the audited financial statements.

**(c) Gratuity**

This is gratuity payable to seasonal workers who have worked for more than three or more seasons consecutively, without a break. Management have estimated the gratuity expected to be paid out to the current seasonal workers.

**(d) Other**

The other provision relates to certain obligations that arose from providing certain services. This might become payable in future if the beneficiary lodges a claim against the company.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**27. DEFERRED TAX**

The gross movement on the deferred income tax account is as follows:

<b>Group</b>	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January	1,139	1,349
Credited to the income statement	(1,434)	(271)
Exchange differences	(217)	66
Expected credit loss adjustments	-	(5)
Charged to other comprehensive income	2,359	-
	<u>1,847</u>	<u>1,139</u>
Balance at 30 June	<u>1,847</u>	<u>1,139</u>

The analysis of deferred tax assets and deferred tax liabilities is as follows:-

	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax assets:		
- Deferred tax assets to be recovered within 12 months	-	(188)
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	1,847	1,327
Deferred tax liabilities (net)	<u>1,847</u>	<u>1,139</u>

**28. FOREIGN CURRENCY TRANSLATION AND REVALUATION RESERVE****Translation reserve**

	<b>GROUP</b>	
	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January 2019	612	277
Exchange difference arising on translation of foreign operations	(1,489)	364
Non-controlling interest share of translation reserve	(656)	(100)
Other adjustments	-	71
Balance at 30 June 2020	<u>(1,533)</u>	<u>612</u>

**Revaluation reserve**

	<b>GROUP</b>	
	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January 2019	-	-
Revaluation on property, plant and equipment	5,634	-
Deferred tax liability arising on revaluation	(1,690)	-
Share of non-controlling interests	-	-
Balance at 30 June 2020	<u>3,944</u>	<u>-</u>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e UK pounds), are recognised directly in other comprehensive income and accumulated in the translation reserve.

Exchange differences previously accumulated in the translation reserve in respect of translating the net assets of foreign operations are normally reclassified to profit or loss on the disposal of the foreign operations.

The items of other comprehensive income relate to revaluation of property, plant and equipment and under IAS 16 will not be reclassified subsequently to profit or loss in the event that the assets are sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

## 29. CONTINGENT LIABILITIES

	2020 Group £'000	2020 Company £'000	2018 Group £'000	2018 Company £'000
Pay as you earn	31	-	31	-
Labour disputes	16	-	16	-
	<u>47</u>	<u>-</u>	<u>47</u>	<u>-</u>

**a) Pay as you earn**

The Zimbabwe Revenue Authority raised assessments for late payment and non-payment of pay as you earn for the year ended 31 December 2009 amounting to US \$333,057. This has since been reviewed downwards to US \$86,361. Management's assessment of the potential liability in the event of an adverse adjustment including penalties and interest is \$40,000. However, the assessment is being contested by the Group through its lawyers and directly by management with the latest indication from various engagements with the authority showing that the amount has already been reduced although this has not been formalised through revised assessments.

**b) Labour disputes**

The Group is defending, through its lawyers, a number of claims from former employees. However, the directors believe that no material liability will arise from these claims.

## 30. CAPITAL COMMITMENTS

Capital expenditure authorised as at 30 June 2020 amounts to £2,055,000 (2018: £399,000).

## 31. RELATED PARTY DISCLOSURES

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation.

The following transactions were carried out with other related parties:

	2020 Group £'000	Company £'000	2018 Group £'000	Company £'000
<b>Provision of services (tobacco processing and recoveries)</b>				
Northern Tobacco (Private) Ltd (common directors)	1,132	-	8,790	-
Inter-Continental Leaf Tobacco (Private) Ltd	228	-	1,983	-
Premium Leaf Zimbabwe/Tribac (Private) Ltd	522	-	10,816	-
<b>Year end balances arising from sales/purchases of services</b>				
<u>Amounts due from related parties</u>				
Northern Tobacco (Private) Ltd (common directors)	988	-	1,066	-
Inter-Continental Leaf Tobacco (Private) Ltd	235	-	624	-
Premium Leaf Zimbabwe/Tribac (Private) Ltd	537	-	367	-
<u>Amounts due to related parties</u>				
Northern Tobacco (Private) Ltd (common directors)	23	-	27	-
Rift Valley Services Zimbabwe (Private) Ltd (common director)	-	-	19	-
<b>Key management compensation</b>				
Salaries and other short term benefits	734	-	655	-
<b>Investments</b>				
Tobacco Processors Zimbabwe (Private) Ltd	-	-	193	-
Pension Fund	-	-	-	-
<b>Rental income from investment property</b>				
Northern Tobacco (Private) Ltd (common directors)	545	-	312	-
Northern Farming (Private) Ltd (common directors)	6	-	4	-
Rift Valley Services Zimbabwe (Private) Ltd (common director)	9	-	5	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020**

**32. EVENTS AFTER THE REPORTING PERIOD**

**Floated exchange rate**

The Reserve Bank of Zimbabwe ('RBZ') introduced a weekly foreign currency auction where bids for foreign currency are submitted to the RBZ through authorised dealers. An average exchange rate for the week would be calculated based on submitted bids during the auction and this rate will be the formal exchange rate used for foreign currency transactions until the next auction where a new rate will be determined and published. On 23 June 2020, RBZ held its first auction and the inaugural exchange rate was USD 1: ZWL 57.35. The foreign exchange rate has since moved and the ZWL is now trading at 132.07 as at 25 March 2022.

**Liquidation of domestic nostro**

The mid-term monetary policy statement presented on 21 August 2020 by the RBZ came with new policy changes with regards to retention of domestic foreign currency receipts. It was pronounced that 20% of domestic nostro receipts will be liquidated at prevailing interbank upon receipt to support the foreign exchange auction.

TPZ made an appeal to the exchange control authority and exemption was granted on 20% liquidation of domestic nostro on 22 April 2021 and the exemption was valid until 31 December 2021.

Management have considered the events after the reporting date and concluded that these changes have no impact on the organisation as they are not indicative of conditions that existed at the reporting date. Furthermore, the going concern status of the entity has not been significantly affected by these events.

**33. SHARE CAPITAL AND ULTIMATE CONTROLLING PARTY**

On 6 March 2020 the company was acquired by Rift Valley Holdings Limited, incorporated in Mauritius as a wholly owned subsidiary. The controlling shareholder of Rift Valley Holdings Limited is the Hoegh family and its directors are considered to be the ultimate controlling party by virtue of their ability to act in concert in respect of the operational and financial policies of the company.