Audited Abridged Financial Results

FOR THE YEAR ENDED 31 DECEMBER 2018

Masimba HOLDINGS LIMITED

Financial Highlights

	Change	2018 Audited US$	2017 Audited US$
Revenue	46%	40,014,431	27,451,196
EBITDA	38%	3,254,622	2,361,288
EBITDA/Turnover	-5%	8.13%	8.60%
EBT	45%	1,694,636	1,174,169
Basic Earnings Per Share (cents)	64%	0.50	0.31
Diluted Earnings Per Share (cents)	65%	0.50	0.30
Headline Earnings Per Share (cents)	131%	0.49	0.22

PRELIMINARY ANNOUNCEMENT TO SHAREHOLDERS

INTRODUCTION

It is my pleasure to present to you the financial results for the year ended 31 December 2018.

OPERATING ENVIRONMENT

The operating environment remained constrained mainly due to the continued shortages of foreign currency in the formal market. Consequently, there was increased activity in the black market as companies procured foreign currency at very high premiums which reportedly peaked at about 600% in November 2018. The exorbitant pricing of foreign currency regrettably pushed inflation to unprecedented levels that were last recorded prior to the adoption of the multi-currency regime. The inflationary pressures had an adverse impact on current and potential projects resulting in significant business slowdown particularly in the last quarter of the year.

CHANGES IN FUNCTIONAL CURRENCY

While the Real Time Gross Settlement (RTGS) balances officially remained at par to the United States Dollar (US$) in the period, the prevalence of inflation as alluded to in the paragraph above, created varying distortions on the purchasing power of the RTGS balances and US$. In addition, the Reserve Bank of Zimbabwe (RBZ) officially separated the Exporters NOSTRO FCA (Nostro FCA US$) from the RTGS FCA (RTGS$) on 1 October 2018. These balances were at law to be maintained in separate accounts with effect from the same date. The "exchange rate" between the RTGS$ and Nostro FCA US$ ranged between 3 to 5 in December 2018. On 20 February 2019, the RBZ pronounced the RTGS$ as a local currency and added it to the already existing basket of multi currencies. The Company had Net Assets directly denominated in Nostro FCA US$ of US$1,883,873 as at 31 December 2018. These Net Assets balances, which the Board believes are material, have been included in the Company's books at a rate of 1:1 between the Nostro FCA US$ and the RTGS$. On 21 March 2019 the Public Accountants and Auditors Board (PAAB) issued guidance regarding treatment of the inconsistency between International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange Rates, Statutory Instruments 33 of 2019. The Group, accordingly, presented the statutory financials for the period ending 31 December 2018 in US$ at par with the RTGS$ as required by Statutory Instrument 41 of 2019. In addition, the Board considered the change in functional currency as a material non-adjusting subsequent event, whose impact is fully disclosed in note 4 of this report.

OPERATIONS

The Group recorded a Turnover of US$40,014,431 (2017: US$27,451,196) and Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) of US$3,254,622 (2017: US$2,361,288) for the year ending 31 December 2018.

The Turnover growth of 46% came on the back of an improved order book. The 2018 order book was dominated by Retail & Commercial buildings, Agriculture, Mining, Housing and Roads infrastructure projects. Highlights of projects completed in 2018 are the Old Mutual Eastgate Mall, CIPF Norton Mall and the Datvest Office Block in Harare. Meanwhile, commissioning of the Nyakomba Irrigation Infrastructure and the Sawanga Shopping Mall projects will be completed in the first quarter of 2019.

The Group's EBITDA increased by 38% from the comparative period due to the improved turnover growth and continued cost containment strategies. The profitability performance was compromised by the deterioration of overheads and cost escalations particularly in the second half of the year as the impact of the foreign currency shortages became more pronounced.

The financial position of the Group strengthened to US$42,053,954 (2017: US$33,156,176) due to the improved profitability of the business and the Board's deliberate decision to apply positive cash flows to capital expenditure in order to preserve value. Capital expenditure and capital work in progress incurred in the period amounted to US$1,853,414 (2017: US$2,983,430).

The Group's working capital ratios remained satisfactory and borrowing levels at US$1,772,473 (2017: US$1,899,125) were flat on the comparative period.

The overdue debt of US$1,231,109, highlighted in my last report, remains outstanding and has been secured against immovable property. An agreement has been reached with the client to preserve the value of this debt. The debt was borne out of a commercial disagreement between our client and its financier. The Board believes that the said project is strategic and is commercially viable. It is likely to be resumed once the commercial dispute is resolved.

CAPITAL EXPENDITURE

Capital expenditure and capital work in progress incurred in the period amounted to US$1,853,414 (2017: US$2,976,649) was mainly for expansionary purposes and was financed by both internal and external resources. Total cumulative capital expenditure for the five-year period to 31 December 2018 amounted to $6,675,991. The sustained investment in capital expenditure has increased the Group's technological and operational capability to engage more complex, diverse and large-scale projects going into the future.

OCCUPATIONAL HEALTH & SAFETY ASSESSMENT SYSTEMS (OHSAS)

I am pleased to advise that in the period under review the Company was successfully certified to the International Organisation for Standardization (ISO) 9001:2015 Quality Management System and retained its certifications under ISO 14001:2004 Environmental Management System, which was subsequently upgraded to ISO 14001:2015, and Occupational Health and Safety Assessment Series (OSHAS) 18001:2007. However, Lost Time Injury Frequency Rate declined to 1:42 (2017: 0.46) owing largely to two serious incidents that occurred during the year. Notwithstanding this setback, the Group is vigorously continuing with its Zero harm programs.

MASIMBA IN THE COMMUNITY

The Group, in addition to its local communities' labour recruitment and procurement policies, invested US$120,985 (2017: US$37,615) in the period under review in various charitable projects that support the communities that it operates in.

The Board is deeply saddened with the effects of Cyclone Idai that caused untold suffering and destruction to the communities of Chipinge and Chimanimani in March 2019. The company joined the government and other volunteer organisations in providing the desperately needed relief to these communities. To this end Masimba contributed roads construction plant and human resources that were part of the teams that focused on opening access roads.

PROSPECTS

The resolution of key economic indicators, in particular availability of foreign currency and improved investor confidence, will contribute significantly to the unlocking of major infrastructure projects in the country. The country's policymakers have made tough decisions on fuel and foreign currency pricing which if supported by stringent fiscal discipline and sustainable lines of credit, among others, may lay a foundation for economic recovery. The Group has put in place capacity building and resourcing strategies among other initiatives in order to take advantage of infrastructure development opportunities.

DIVIDEND DECLARATION

The Board, having considered the profitability of the business and its future cashflows, is proposing a final dividend of RTGS $0.35 cents (2017: USD$0.15 cents) for the financial year ended 31 December 2018, this will be paid as a scrip dividend. This will be paid as cash or scrip dividend, the details of which will be provided in due course.

DIRECTORATE

There were no changes to the Directorate in the period under review.

APPRECIATION

On behalf of the Board I extend my appreciation to our valued customers, suppliers and other key stakeholders who have remained committed to the Masimba brand, as well as to the executives and staff for their dedication. I also wish to thank my colleagues on the Board for their continued and unwavering support.

G. Sebborn
12 April 2019

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Audited US$	31 December 2017 Audited US$
Revenue		**40,014,431**	**27,451,196**
Profit before depreciation and fair value adjustments		3,254,622	2,361,288
Fair value adjustments		-	40,500
Depreciation		(1,387,689)	(1,110,171)
Operating profit		1,866,932	1,291,617
Net interest (paid) / received		(172,296)	(117,448)
Profit before tax	3.1	**1,694,636**	**1,174,169**
Tax	3.2		(475,431)
Profit for the year			**698,738**
Number of shares in issue (millions)			232.0
Basic earnings per share (cents)			0.31
Diluted earnings per share (cents)			0.30
Headline earnings per share (cents)			0.22

ABRIDGED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 Audited US$	31 December 2017 Audited US$
Profit for the period		698,738
Other comprehensive income:		
Gain on revaluation of property, plant and equipment		167,687
Movement in available for sale investments		963,095
Deferred tax charge on other comprehensive income		(52,810)
Other comprehensive income for the period, net of tax		1,077,972
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,776,710**

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31 December 2018 Audited US$	31 December 2017 Audited US$
ASSETS			
Non-current assets			
Property, plant and equipment	3.3	8,691,388	8,727,868
Investment property	3.4	4,616,000	4,616,000
Investments	3.5	2,795,681	2,146,260
		16,103,069	**15,490,128**
Current assets			
Cash and cash equivalents		3,788,881	1,294,967
Contracts in progress and accounts receivable	3.6	20,357,440	15,106,704
Inventories		1,725,984	1,200,575
Current tax assets		78,579	63,802
		25,950,884	**17,666,048**
Total assets		**42,053,953**	**33,156,176**
EQUITY AND LIABILITIES			
Share capital		2,331,824	2,320,199
Share premium		405,428	402,987
Reserves		10,232,276	9,475,558
Retained earnings		3,579,150	1,839,661
		16,548,678	**14,038,405**
Non-current liabilities			
Interest bearing borrowings	3.7	200,000	910,000
Deferred tax		2,312,928	1,778,972
Finance lease	3.8	414,706	499,130
		2,927,634	**3,188,102**
Current liabilities			
Interest bearing borrowings	3.7	644,857	205,853
Finance lease	3.8	512,910	284,142
Accounts payable	3.9	21,419,874	15,439,675
		22,577,641	**15,929,669**
Total equity and liabilities		**42,053,953**	**33,156,176**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 Audited US$	31 December 2017 Audited US$
Net cashflow generated by operating activities	3,231,584	2,247,643
Net cashflow utilised by investing activities	(262,988)	(2,872,180)
Net cashflow generated (utilised by) / received from financing activities	(474,682)	1,139,237
Increase in cash and cash equivalents	**2,493,914**	**514,700**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 Audited US$	31 December 2017 Audited US$
Shareholders' equity at the beginning of the period	**14,038,405**	**12,311,543**
Share based payments reserve	(284)	656
Other comprehensive income	1,667,002	1,077,972
Dividend paid	(348,030)	(308,690)
Issue of shares	14,066	258,186
Profit for the period	1,177,519	698,738
Shareholders' equity at the end of the period	**16,548,678**	**14,038,405**

SUMMARY OF INFORMATION

Auditor's report

These summary financial statements should be read in conjunction with the full set of audited financial statements of Masimba Holdings Limited for the year ended 31 December 2018, which have been audited by Grant Thornton Chartered Accountants Zimbabwe. The audit opinion on the Group financial statements is an adverse opinion due to non-compliance with International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange Rates. The audit report includes a section on key audit matters comprising of revenue recognition and valuation of construction projects, income and deferred taxes, and expected credit risk allowance. The Independent Auditor's report on the Group financial statements is available for inspection at the Company's registered office.

1. Basis of presentation

Statement of compliance

The abridged financial results have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The same accounting policies, presentation and methods followed in the abridged financial results are as applied in the Group's latest annual financial statements. The Group has partially complied with International Financial Reporting Standards due to the requirements to comply with Statutory Instrument 33 of 2019.

2. Functional and presentation currency

The financial statements are expressed in United States Dollars which was both the functional and presentation currency of the Group for the financial year ended 31 December 2018.

The continued constrained exchangeability between the United States Dollars and Real Time Gross Settlement or Bond notes and coins required application of IAS 21: The Effects of Changes in Foreign Currency Rates. However, the Group was not able to comply with the requirements of this standard due to the need to adhere to the requirements of Statutory Instrument 33 of 2019.

3 Notes to the abridged consolidated financial statements

	31 December 2018 Audited US$	31 December 2017 Audited US$
3.1 Profit before tax		
Profit before tax is shown after charging/(crediting) the following items:		
Staff costs	1,691,784	1,143,562
Compensation of directors and key management:		
for services as directors	62,500	62,500
for management services	804,185	664,591
3.2 Income tax		
Current tax	-	-
Deferred tax	(517,117)	(475,431)
	(517,117)	**(475,431)**
Tax reconciliation		
Profit before tax	1,694,636	1,174,168
Tax at standard rate	(436,369)	(302,348)
Adjusted for:		
Effects of expenses not deductible for tax	(14,144)	(77,321)
Effects of other permanent differences	(66,604)	(95,762)
	(517,117)	**(475,431)**
3.3 Property, plant and equipment		
Movement for the year:		
Balance at the beginning of the year	8,727,868	6,731,970
Capital expenditure	1,406,137	2,983,430
Depreciation	(1,387,689)	(1,110,171)
Disposals	(84,702)	(642,872)
Revaluation - recognition on revaluation	-	3,585,000
Revaluation - elimination on revaluation	-	(3,590,000)
Depreciation - elimination on revaluation	-	172,687
Depreciation - elimination on disposal	29,774	597,824
Balance at the end of the year	**8,691,388**	**8,727,868**
3.4 Investment property		
Movement for the year:		
Balance at beginning of the year	4,616,000	4,467,500
Revaluation	-	40,500
Capital expenditure	-	126,000
Disposals during the year	-	(18,000)
Balance at end of the year	**4,616,000**	**4,616,000**

The fair value of investment property has been carried out on the basis of valuations done as at 31 December 2017. This was valuation was on the open market basis.

	31 December 2018 Audited US$	31 December 2017 Audited US$
Investments		
Financial assets carried at fair value through other comprehensive income	2,780,101	2,146,260
Investment in joint venture	15,580	-
	2,795,681	**2,146,260**
Contracts in progress and accounts receivable Contract receivables and contract work in progress Trade receivables	14,889,375	9,734,620
Prepayments	1,128,965	658,647
Deposits and other receivables	4,418,091	4,471,306
	130,965	448,499
Less: Allowance for doubtful receivables	**20,567,396**	**15,313,072**
	(209,956)	(206,368)
Interest bearing borrowings	**20,357,440**	**15,106,704**
Long term		
Short term	200,000	910,000
	644,857	205,853
	844,857	**1,115,853**

The short-term loans represent a reclassification to current liabilities as per IFRS 7. The loans have a tenure of two years and accrue interest at an effective rate of 7% per annum. These loans are fully secured against immoveable property and a notarial general covering bond over moveable assets, including a cession of book debts.

Finance lease liabilities

2018	Up to 1 year US$	2 to 5 years US$	Total US$
Minimum lease payments	512,910	414,706	927,616
Interest	61,625	19,199	80,824
	574,535	**433,905**	**1,008,440**

2017	Up to 1 year US$	2 to 5 years US$	Total US$
Minimum lease payments	284,142	499,130	783,272
Interest	51,043	34,477	85,521
	335,185	**533,007**	**868,792**

Accounts payable

	31 December 2018 Audited US$	31 December 2017 Audited US$
Trade	1,114,981	1,511,972
Unearned revenue (advance receipts from customers)	5,518,455	6,926,767
Contract accruals and other payables	8,246,380	4,715,365
Subcontractor liabilities	6,540,058	2,285,570
	21,419,874	**15,439,674**
3.10 Contingent liabilities		
Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids	**9,843,071**	**9,588,337**

4. Events after reporting date

On 20 February 2019 the Reserve Bank of Zimbabwe announced the Monetary Policy Statement which key summaries are detailed herein: -

- The introduction of the RTGS dollars (RTGS$) as part of the multi-currency basket.
- RTGS$ to be used by all entities and individuals in Zimbabwe for the purposes of pricing of goods and services, accounting and domestic settlement of transactions.
- Establishment of an interbank foreign exchange market where the exchange rate will be determined by market forces. The interbank opened at a rate of US$1 to RTGS$2.5.

The Directors have assessed and concluded that this be disclosed as a non-adjusting subsequent event as per IAS 10: Events After the Reporting Period. Disclosed in the table below, is the impact on Financial Statements for the year ending 31 December 2018, had the RTGS$ been implemented as the functional currency of the business as at that date. However, it should be noted that these are the best estimates as at time of reporting that approximate opening balances of the financial position of the ensuing financial period and may not necessarily be deemed to be the opening balances for the 2019 financial reporting period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Components of Reported Amounts					Sensitivity Analysis		
ASSETS	Monetary Assets/ Liabilities Nostro FCA US$ 2018 US$	Monetary Assets/ Liabilities Nostro RTGS$ 2018 US$	Non-Monetary Assets/ Liabilities US$ 2018 US$	Non-Monetary Assets/ Liabilities RTGS$ 2018 US$	US$ @1:1 2018 US$	RTGS$ @1:2.5 2018 RTGS$	RTGS$ @1:4 2018 RTGS$	RTGS$ @1:5 2018 RTGS$
Non-current assets								
Property, plant and equipment	-	-	7,782,698	908,690	8,691,388	20,365,435	32,038,482	39,822,180
Investment property	-	-	4,616,000	-	4,616,000	11,540,000	18,464,000	23,080,000
Investments	-	2,795,681	-	-	2,795,681	2,795,681	2,795,681	2,795,681
	-	**2,795,681**	**12,398,698**	**908,690**	**16,103,069**	**34,701,116**	**53,298,163**	**65,697,861**
Current assets								
Cash and cash equivalents	712,595	3,076,285	-	-	3,788,881	4,857,773	5,929,666	6,639,261
Contracts in progress and contracts receivables	977,549	13,911,826	-	-	14,889,375	16,355,699	17,822,023	18,799,573
Trade and other receivables	217,729	5,250,336	-	-	5,468,065	5,794,659	6,121,252	6,338,981
Inventories	-	-	-	1,725,984	1,725,984	1,725,984	1,725,984	1,725,984
Current tax assets	-	78,579	-	-	78,579	78,579	78,579	78,579
	1,907,874	22,317,026	-	1,725,984	25,950,884	28,812,694	31,674,504	33,582,378
TOTAL ASSETS	**1,907,874**	**25,112,707**	**12,398,698**	**2,634,674**	**42,053,953**	**63,513,810**	**84,973,667**	**99,280,239**
EQUITY AND LIABILITIES								
Capital and reserves								
Share capital	-	-	-	2,331,824	2,331,824	2,331,824	2,331,824	2,331,824
Share premium	-	-	-	405,428	405,428	405,428	405,428	405,428
Reserves	-	-	-	10,232,276	10,232,276	10,232,276	10,232,276	10,232,276
Retained earnings	-	-	-	3,579,150	3,579,150	3,579,150	3,579,150	3,579,150
Foreign currency translation reserve	-	-	-	-	-	21,423,858	42,847,715	55,749,499
	-	-	-	**16,548,678**	**16,548,678**	**37,972,536**	**59,396,393**	**73,678,965**
Non-current liabilities								
Borrowings	-	200,000	-	-	200,000	200,000	200,000	200,000
Finance lease	-	414,706	-	-	414,706	414,706	414,706	414,706
Deferred tax	-	2,312,928	-	-	2,312,928	2,312,928	2,312,928	2,312,928
		2, 927,634	-	-	**2,927,634**	**2,927,634**	**2,927,634**	**2,927,634**
Current liabilities								
Borrowings	-	644,857	-	-	644,857	644,857	644,857	644,857
Finance lease	-	512,910	-	-	512,910	512,910	512,910	512,910
Trade and other payables	24,000	14,855,816	-	-	14,879,816	14,915,816	14,951,816	14,975,816
Subcontractors	-	6,540,058	-	-	6,540,058	6,540,058	6,540,058	6,540,058
	24,000	**22,553,641**	-	-	**22,577,641**	**22,613,640**	**22,649,640**	**22,673,640**
TOTAL EQUITY AND LIABILITIES	**24,000**	**25,481,275**	-	**16,548,678**	**42,053,953**	**63,513,810**	**84,973,667**	**99,280,239**

Assumptions

The Group has applied the following assumptions in the preparation of the sensitivity analysis:

- Nostro refers to the international US$ that is tradeable on the international markets.
- Property, plant and equipment have an underlying US$ value and as per IAS 21: The Effects of Changes in Foreign Currency Rates, all non-monetary assets are converted at the spot rate. The assumed spot date is 31 December 2018.
- Share capital is denominated in US$ Nostro following the redenomination in 2009. However, for this purpose and in line with the PAAB guidance, Share capital and other reserves, though accrued in a US$ environment, have been deemed to be RTGS.
- The following rates have been applied:
  - Inter-bank exchange rate of 2.5 being the initial market-based estimate.
  - The 4 and 5 exchange rates are based on the spread of the parallel market rates that were prevalent as at 31 December 2018.
- The difference between net assets and the resultant equity translation has been treated as the foreign currency translation reserve.

VPCG

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Independent Auditors' Report

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To the members of Masimba Holdings Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Masimba Holdings Limited set out on pages 9 to 56, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of Masimba Holdings Limited as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard 21 (IAS 21) - The Effects of Changes in Foreign Exchange Rates

As explained in Note 37, the Group was operating in a 'multi-tiered' pricing environment during the period under review, where settlement of transactions was dependent on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. This 'multi-tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21, would apply. Under IAS 21, the Group should have applied a spot rate in accounting for transactions as they may have experienced premiums and discounts on the foreign exchange rate of 1:1 between RTGS balances and bond notes and the USD.

Had the Group complied with the requirements of IAS 21, many elements in the accompanying consolidated financial statements would have been materially affected. As a result, the impact of the entity's inability to comply with IAS 21 has been determined as significant. The effects on the consolidated financial statements of the failure to comply with IAS 21 are considered material and pervasive to the consolidated financial statements, taken as a whole.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

AREAS OF FOCUS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition and valuation of construction projects. • The Group is involved in complex construction projects for which it applies the percentage of completion method. The amount of revenue and profit recognized in a year on projects is dependent, among other things, on the actual costs incurred, the assessment of the percentage of completion for contracts and the forecast contract revenue and costs to complete for each project. • The amount of revenue and profit is influenced by the valuation of variation orders and claims. • This often involves a high degree of judgement due to the complexity of projects, uncertainty regarding costs to complete, and uncertainty about the outcome of discussions with clients on variation orders and claims. • Revenue recognition and valuation of	**Our audit procedures included the following:** • Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Evaluation of the significant judgements made by management, amongst others based on an examination of the associated project documentation. • Discussions with finance and technical staff of the Group on the status of projects under construction. In addition, we visited some projects under construction. • Tests of controls that the Group has put in place over the process to record contract revenues, contract costs, and the calculation of the stage of completion. • Discussed the status of legal proceedings in respect of construction contracts, examined various documents in this respect and obtained lawyer's letters. We satisfied ourselves that the Group's revenue recognition and valuation of

construction projects were identified as risk areas requiring special audit consideration.	construction projects is appropriate.
IFRS 9 Expected credit risk allowance.	
The Group has contracts receivables in respect of certified work. This was considered area of focus as IFRS 9 is a new and complex accounting standard which requires significant judgement to determine the impairment reserve. Key areas of judgement included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • The identification of exposures with a significant deterioration in credit quality; • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation); and • The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedures in assessing management's allowance for credit losses included the following: • We performed an assessment of the modeling techniques and methodology used against the requirements of IFRS 9; • We assessed and tested the material modeling assumptions with a focus on the: • Key modeling assumptions adopted by the Company; • Basis for and data used to determine debtor's categories; and • Reliability of the historical data collected. • We examined a sample of exposures and performed procedures to evaluate the: • Timely identification of exposures with a significant deterioration in credit quality. • Expected loss calculation for exposures assessed on an individual basis. • We assessed the accuracy of the disclosures in the financial statements. Based on our audit work performed and the assumptions used by management the rates calculated were appropriate and reflected the current environment.

Income taxes and deferred tax	
Income taxes and deferred tax were considered to be key audit matters because they require significant management judgement as summarised below: Income taxes: • The assessment process for income taxes is complex and the amounts involved are material to the consolidated financial statements taken as a whole. • In determining the amounts to be taxed, the Group makes judgements and estimates in relation to tax issues. Deferred tax: •The Group has significant deferred tax liability, mainly resulting from: ➢ Property plant and equipment; and ➢ Contracts in progress (uncertified work and claims).	**Our audit procedures included the following:** • We involved our tax specialist to evaluate the recognition and measurement of tax liabilities. • We tested the completeness and accuracy of the amounts reported for current tax through review of correspondence with tax authorities and tax returns submitted during the year. • In this area, our audit procedures included, among others, using our own tax specialists to assist us in assessing the appropriateness of the level of deferred tax liability balance recognized in the balance sheet. • Based on our procedures performed we consider management's key assumptions to be within a reasonable range. • We also assessed the adequacy of the tax disclosures in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In our opinion, except for the effects of the matters described in the Basis for Adverse Opinion, the consolidated financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

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

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

11 April 2019

HARARE