TURNALL HOLDINGS LIMITED

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Highlights	$'000
Revenue	32,230
Profit from operations	6,529
Profit before taxation	5,880
Profit for the year	3,837

Chairperson's Statement

Introduction

On behalf of the Board of Directors, I hereby present the audited Turnall Holdings Limited financial results for the year ended 31 December 2018.

Operating Environment

The country experienced significant foreign currency shortages throughout the period and this affected businesses' ability to import critical materials. Due to foreign currency shortages, the parallel market emerged with exchange rates between the United States Dollars and RTGS balances.

The Reserve Bank separated RTGS balances from US Dollar Nostro bank balances in October 2018. The adoption of multi-tier prices increased in the economy with RTGS prices being significantly higher than US Dollar prices.

The intermediary tax on transactions was introduced in October 2018. This increased transaction costs to businesses and triggered price increases in the economy as businesses sought to mitigate against incremental costs.

Financial Performance

The Group sales volumes for the year increased by 41% to 56 399 tonnes from 40 030 tonnes. Turnover increased by 69% to $32.2 million compared to $19.0 million in the prior year. Sales demand was high during the year due to increased construction activity. The Group increased production volumes to meet the demand. Production volumes increased by 52% from the previous year.

The Group's gross profit for the year was $13.4 million, an increase of 97% from the previous year gross profit of $6.8 million. The increase is attributed to efficiencies associated with the increase in the throughput for the business. Management also implemented several measures to improve production efficiencies in the factory.

Operating expenses of $7.1 million were 12% above the prior year. Management enhanced cost control measures in order to improve the company's profitability.

The debt restructuring process paid off with finance costs declining to $0,6 million from $1,0 million. The interest cover increased to 10.05 times from 0.68 times in the previous year, showing the Group's improved ability to pay interest on borrowings.

The Group turned around to profitability by reporting a profit before tax of $5.9 million from a loss of $0.3 million in the comparative period.

After years of liquidity challenges, the Group now has a positive net current asset position. The Group had net current assets of $2.2 million at the end of the year compared to net current liabilities of $11.8 million in the comparative period. This was achieved through a combination of a drive for profitability and the debt restructuring process.

The Group's cash generation capacity increased during the year. Cash generated from operations before working capital changes was $7.8 million, which is a 290% growth from the prior year cash generation of $2.0 million. Cash flows reinvested in working capital were $5.6 million compared to $0.5 million in the previous year. At the end of the year, the Group had secured key imported raw materials required for the first quarter 2019.

The Group spent $0.9 million on capital expenditure compared to $0.3 million in the comparative period. Capital expenditure was mainly on plant and equipment in order to improve production efficiencies and increase output.

The Group's debt servicing arrangements went on well during the year. The cash outflows towards debt servicing increased to $0.6 million from $0.1 million in the comparative period.

Board and Management

Mr. Amos Mashava was appointed to the Board in the last quarter of 2018 as an alternate director to Mr. Noel Hayes. We would like to welcome him to the Board and look forward to his valued contributions.

Outlook

The Group looks forward to strengthening its financial performance and its market position in the current year.

Dividend

In view of the Group's need to reinvest in the business, the Board has resolved not to declare a dividend.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere appreciation to our customers, suppliers, creditors, statutory bodies, and other key stakeholders, my fellow directors, management and staff at Turnall Holdings Limited for the support and commitment during the period under review. From the dark days of 2017 when the Group's future was questioned by many, the remarkable turnround in the Group's fortunes and prospects is a tribute to the enormous efforts and support of all our stakeholders. The Group looks forward to your continued support.

By Order of the Board.

Mrs. R. Likukuma
Chairperson

15 April 2019

Directors' Report

Responsibility

The directors are responsible for the preparation and fair presentation of the Group's annual financial statements, comprising the statement of financial position as at 31 December 2018; and the statements of profit or loss; of comprehensive income; changes in equity and cash flows for the year then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03). In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have assessed the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Compliance with legislation

The financial statements have been prepared under the historical cost convention (except for fair value and amortised cost measurements where applicable), and are in agreement with the underlying books and records, which have been properly prepared in accordance with the accounting policies set out in note 1, and comply with the disclosure requirements of the Companies Act (Chapter 24:03).

Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs allows comparability with similar businesses and consistency in the interpretation of the financial statements.

While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for 2018. The IASBs Conceptual Framework For Financial Reporting (the 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 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, bond notes and coins, and RTGS system balances 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 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the Conceptual Framework as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This has resulted in an accounting treatment being adopted in the 2018 financial statements, which is different from that which would have been adopted if the Group had been able to fully comply with IFRS. As such, directors and management 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 6 seeks to provide users with more information given the context and the aforementioned guidance.

Auditor's Statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by Deloitte & Touche. An adverse opinion was issued thereon in respect of functional currency, as requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates were not complied with. The Auditor's report includes Key Audit Matters (KAMs) to the extent they are not impacted by the basis for adverse opinion indicated. The KAMs relate to going concern and valuation of legacy tax liabilities. The Auditors' report on these financial statements is available for inspection at the Company's registered office.

Consolidated Statement of Comprehensive Income

	Audited year ended 31.12.2018 $	Audited year ended 31.12.2017 $
Revenue	**32,230,204**	**19,026,608**
Cost of sales	(18,785,318)	(12,177,315)
Gross profit	**13,444,886**	**6,849,293**
Other income	223,474	254,326
Selling and distribution expenses	(2,146,630)	(1,483,201)
Administrative expenses	(4,992,474)	(4,914,105)
Profit from operating activities	**6,529,256**	**706,313**
Finance costs	(649,743)	(1,038,546)
Profit / (loss) before taxation	**5,879,513**	**(332,233)**
Income tax expense	(2,043,009)	(357,168)
Profit / (loss) for the year	**3,836,504**	**(689,401)**
Other comprehensive income / (loss) - net of income tax		
Revaluation of property, plant and equipment	-	978,800
Foreign currency translation differences	7,402	(4,558)
Total comprehensive income for the year	**3,843,906**	**284,841**
Earnings per share		
Number of shares in issue	493,040,308	493,040,308
Basic and diluted (cents per share)	0.78	(0.14)

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

TURNALL HOLDINGS LIMITED

Consolidated Statement of Financial Position

ASSETS	Audited year ended 31.12.2018 $	Audited year ended 31.12.2017 $
Non-current assets		
Property, plant and equipment	20,031,499	20,392,244
Investment property	269,080	275,720
Investments in financial assets	399,230	427,063
Deferred taxation	4,770,557	6,962,580
Total non-current assets	**25,470,366**	**28,057,607**
Current assets		
Inventories	6,670,669	3,354,874
Trade and other receivables	1,569,401	1,097,639
Prepayments	2,635,073	1,353,582
Cash and cash equivalents	407,818	208,352
Total current assets	**11,282,961**	**6,014,447**
Total assets	**36,753,327**	**34,072,054**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	4,930,403	4,930,403
Share premium	181,908	181,908
Non-distributable reserve	7,655,239	7,655,239
Foreign currency translation reserve	7,935	533
Revaluation reserve	4,597,809	4,607,246
Accumulated losses	(9,654,572)	(13,500,513)
Total equity	**7,718,722**	**3,874,816**
Non-current liabilities		
Deferred taxation	6,502,550	6,669,071
Loans and borrowings	5,158,584	1,417,719
Trade and other payables	8,304,013	4,260,168
Total non-current liabilities	**19,965,147**	**12,346,958**
Current liabilities		
Loans and borrowings	1,000,041	5,374,153
Trade and other payables	7,866,280	12,472,975
Bank overdraft	203,137	3,152
Total current liabilities	**9,069,458**	**17,850,280**
Total equity and liabilities	**36,753,327**	**34,072,054**

Consolidated Statement of Cash Flows

	Audited year ended 31.12.2018 $	Audited year ended 31.12.2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax	**5,879,513**	**(332,233)**
Adjustment for:		
Depreciation of property, plant and equipment	1,178,118	1,384,700
Depreciation of investment property	6,640	6,643
Amortisation of financial assets	27,833	(174,861)
Finance costs	649,743	1,038,546
Impairment of property, plant and equipment	18,360	8,791
Currency translation differences	7,402	(4,558)
Loss from disposal of property, plant and equipment	61,068	37,929
Operating cash flow before working capital changes	**7,828,677**	**1,964,957**
Movement in working capital		
Increase in trade and other receivables	(1,753,253)	(1,417,931)
(Increase)/Decrease in inventories	(3,315,795)	667,214
(Decrease)/Increase in trade and other payables	(562,850)	1,211,498
Net cash generated from operating activities	**2,196,779**	**2,425,738**
Tax paid	(17,507)	(10,275)
Interest paid	(649,743)	(1,038,546)
Net cash flows generated from operating activities	**1,529,529**	**1,376,917**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	19,300	34,980
Acquisition of property, plant and equipment	(916,101)	(289,445)
Net cash flows used in investing activities	**(896,801)**	**(254,465)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in loans and borrowings	-	-
Decrease in loans and borrowings	(633,247)	(126,942)
Net cash flows used in financing activities	**(633,247)**	**(126,942)**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(519)**	**995,510**

Consolidated Statement of Changes in Equity

	Share Capital $	Share Premium $	Non-Distributable reserves $	Revaluation reserves $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 31 December 2016	**4,930,403**	**181,908**	**7,655,239**	**3,731,946**	**5,091**	**(12,914,612)**	**3,589,975**
Loss for the year	-	-	-	-	-	(689,401)	(689,401)
Other comprehensive income							
Transfer of revaluation of property, plant and equipment	-	-	-	(103,500)	-	103,500	-
Revaluation of property, plant and equipment	-	-	-	978,800	-	-	978,800
Currency translation diff ences	-	-	-	-	(4,558)	-	(4,558)
Balance at 31 December 2017	**4,930,403**	**181,908**	**7,655,239**	**4,607,246**	**533**	**(13,500,513)**	**3,874,816**
Profi for the year	-	-	-	-	-	3,836,504	3,836,504
Other comprehensive income							
Transfer of revaluation of property, plant and equipment	-	-	-	(9,437)	-	9,437	-
Currency translation diff ences	-	-	-	-	7,402	-	7,402
Balance at 31 December 2018	**4,930,403**	**181,908**	**7,655,239**	**4,597,809**	**7,935**	**(9,654,572)**	**7,718,722**

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Supplementary Information

1. Statement of compliance

The underlying consolidated fi statements to these results have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 23:04), the Companies (Financial Statements) Regulations, 1996 and the Zimbabwe Stock Exchange Listing Requirements. The Group's fi statements do not comply with International Financial Reporting Standards due to non compliance with International Accounting Standard 21 "The Eff of Changes in Foreign Exchange Rates" (IAS 21). The Group has in previous fi periods adopted the United States Dollar as its presentation and functional currency. For the 2018 fi statements, in order to comply with local laws and regulations, particularly Statutory Instrument 33 of 2019 (SI 33 of 2019), and after considering the relevant guidance on the matter by the Public Accountants and Auditors Board (PAAB) issued on 21 March 2019, the Group has adopted the US Dollar as its presentation currency. (SI 33 of 2019) has precluded the Group from applying an independent assessment of functional currency as provided for under "IAS 21". Please refer to note 6 below for further detail.

2. Accounting policies and reporting currency

There have been no material changes in the Group's accounting policies since the date of the last consolidated fi statements, apart from those related to the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts. The fi results are presented in dollars.

3. Contingent liabilities and assets

The Group has possible obligations related to former employees. The amounts and outcome could not be determined with certainty as at the end of the reporting period.

The Group also has contingent assets related to the tax authorities. Detailed disclosures related to these matters have not been made, as this could prejudice the Group's position on their fi outcome.

4. Borrowings

The Group has total borrowings of $6.2 million (2017: $6.8 million), The average borrowing cost for the year was 10% (2017: 16%) per annum.

Borrowings are secured against land and buildings.

5. Capital commitments, expenditure and depreciation

	2018 $	2017 $
Approved capital commitments for future periods	4,100,000	300,000
Capital expenditure	916,101	289,445
Depreciation	1,184,758	1,391,343

6. Subsequent events

On 20 February 2019, the Reserve Bank of Zimbabwe (RBZ) Governor announced a new monetary policy statement whose highlights were:

- Denomination of RTGS system balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system.
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate would be determined by market forces. The inter-bank market opened trading at a rate of US$1 to RTGS$2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI 33 of 2019) on 22 February 2019. The statutory instrument gave eff to the introduction of the RTGS dollar as a legal tender and prescribed that '' for accounting and other purposes" certain assets and liabilities on the eff e date would be deemed to be RTGS dollars at a rate of 1:1 to USD and would become opening RTGS dollar values from the eff ctive date.

The directors, based on their interpretation of IFRS have considered the monetary policy statement of 20 February 2019, and the subsequent emergence of an inter-bank exchange rate to be an adjusting event in terms of International Accounting Standard 10 "Events After the Reporting Period" (IAS 10) as it was considered to be shaped by underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS dollar as currency. In the opinion of the directors, it was a response to the market perception which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However given the accounting restrictions imposed by SI 33 of 2019, events after the reporting period have not been adjusted for. The impact on the 2018 fi position (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying diff ent exchange rates is shown on the table below.

Management performed a sensitivity analysis of the eff of using diff ent exchange rates following the change in functional currency from US dollars (US$) to RTGS dollars (RTGS$). The table below illustrates the diff ent RTGS$ equivalent amounts for scenarios based on US$ exchange rates to the RTGS$ of 1:1, 1:2.5, 1:3.5 and 1:5.

	Group 2018 $ Assets/ Liabilities RTGS$	Group 2018 $ Monetary Assets/ Liabilities Nostro FCA US$	Group 2018 $ Non-monetary Assets/ Liabilities - US$	Group 2018 RTGS$ Total 1:1	Group 2018 RTGS$ Total 1:2.5	Group 2018 RTGS$ Total 1:3.5	Group 2018 RTGS$ Total 1:5
ASSETS							
Non-current assets							
Property, plant and equipment		-		20,031,499		20,031,499	
Investment property		-		269,080		269,080	
Investments in fi assets	399,230	-	-	399,230	399,230	399,230	399,230
Deferred taxation	4,770,557	-	-	4,770,557	4,770,557	4,770,557	4,770,557
Total non-current assets	**25,470,366**	**-**	**-**	**25,470,366**	**25,470,366**	**25,470,366**	**25,470,366**
Current assets							
Inventories	6,670,669	-	-	6,670,669	6,670,669	6,670,669	6,670,669
Trade and other receivables	1,569,401	-	-	1,569,401	1,569,401	1,569,401	1,569,401
Prepayments	1,965,411	-	669,662	2,635,073	3,639,566	4,309,228	5,313,721
Cash and cash equivalents	126,612	281,206	-	407,818	829,627	1,110,833	1,532,642
Total current assets	**10,332,093**	**281,206**	**669,662**	**11,282,961**	**12,709,263**	**13,660,131**	**15,086,433**
Total assets	**35,802,459**	**281,206**	**669,662**	**36,753,327**	**38,179,629**	**39,130,497**	**40,556,799**
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	4,930,403	-	-	4,930,403	4,930,403	4,930,403	4,930,403
Share premium	181,908	-	-	181,908	181,908	181,908	181,908
Non-distributable reserve	7,655,239	-	-	7,655,239	7,655,239	7,655,239	7,655,239
Foreign currency translation reserve	7,935	-	-	7,935	1,434,237	2,385,105	3,811,407
Revaluation reserve	4,597,809	-	-	4,597,809	4,597,809	4,597,809	4,597,809
Accumulated losses	(9,654,572)	-	-	(9,654,572)	(9,654,572)	(9,654,572)	(9,654,572)
Total equity	**7,718,722**	**-**	**-**	**7,718,722**	**9,145,024**	**10,095,892**	**11,522,194**
Non-current liabilities							
Deferred taxation	6,502,550	-	-	6,502,550	6,502,550	6,502,550	6,502,550
Loans and borrowings	5,158,584	-	-	5,158,584	5,158,584	5,158,584	5,158,584
Trade and other payables	8,304,013	-	-	8,304,013	8,304,013	8,304,013	8,304,013
Total non-current liabilities	**19,965,147**	**-**	**-**	**19,965,147**	**19,965,147**	**19,965,147**	**19,965,147**
Current liabilities							
Loans and borrowings	1,000,041	-	-	1,000,041	1,000,041	1,000,041	1,000,041
Trade and other payables	7,866,280	-	-	7,866,280	7,866,280	7,866,280	7,866,280
Bank overdraft	203,137	-	-	203,137	203,137	203,137	203,137
Total current liabilities	**9,069,458**	**-**	**-**	**9,069,458**	**9,069,458**	**9,069,458**	**9,069,458**
Total equity and liabilities	**36,753,327**	**-**	**-**	**36,753,327**	**38,179,629**	**39,130,497**	**40,556,799**

The Group and its subsidiaries remain solvent and sufficiently capitalised at the different exchange rate sensitivities.
The numbers indicated above do not necessarily reflect expected opening balances in RTGS$ for the 2019 financial statements.

7. Approval of fi statements

The underlying consolidated fi statements to the results were approved by the Board on 15 April 2019.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TURNALL HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Turnall Holdings Limited ("the Company") and its subsidiaries (together "the Group"), as set out on pages 10 to 66, which comprise the consolidated and separate statement of financial position as at 31 December 2018, the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate 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 and separate financial statements do not present fairly, the consolidated and separate financial position of the Group and Company as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act (Chapter 24:03).

Basis for Adverse Opinion

The Group and Company 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 and mobile money platforms were not legally recognised as currency during the year ended 31 December 2018, 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 comingled.

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. These 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." Such assessment pointed to a change in functional currency.

Subsequent to year-end, as indicated in note 27, 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. This new currency was created from the RTGS FCA balances. In addition, 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. This introductory currency commenced trading at a rate of 2.5 RTGS Dollars to 1 USD on the interbank market.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

Basis for Adverse Opinion (Continued)

The Group and company has maintained their functional currency as the USD and have presented the financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with IFRS. Had the Group and Company applied the requirements of IAS 21, many of the elements of the accompanying consolidated and separate financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the consolidated and separate financial statements of this departure have not been determined. A comparative analysis of how different exchange rates would impact on the consolidated statements of financial position has been presented in note 44 to the consolidated and separate financial statements. However, these amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and 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 period. 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. In addition to the matter described in the *Basis for Adverse Opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in the audit
Valuation of tax liabilities	
As reflected in Note 20, the Group and Company's trade and other payables included amounts due to the Zimbabwe Revenue Authority (ZIMRA). The Group and Company were granted an eight year period within which to settle principal amounts on various taxes outstanding at 31 December 2016. The carrying amount of the taxation liabilities was recognised at fair value at inception of the payment plan, and subsequently measured at amortised cost. Given the five years remaining on the legacy tax debt payment plan, the ZIMRA debt is measured at amortised cost method using effective interest rate. Given the uncertainties on some elements of interest charges that were treated as contingent liabilities in prior year, there was also a risk with respect to the completeness and accuracy of the tax liability. Given the above background, we considered the valuation, obligation and disclosure for the tax liabilities to be a key audit matter.	In evaluating the valuation and obligations for tax liabilities we performed the following: • We obtained and inspected confirmations from ZIMRA of the amounts owed by the Group and Company in respect of and related to, the legacy tax liabilities and evaluated those relative to the balances in the ledger. • We inspected written correspondence between the Group and Company, and Zimra that occurred over the course of the financial year, and subsequent to year end up to the date of authorisation of the financial statements for issue, to consider the implications of matters discussed; • We performed an independent recomputation of the amortised cost of the principal amounts making up the legacy debt and evaluated this against the amount recorded in the ledger; • We inspected the financial statements for appropriate disclosures.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

Key audit matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Going concern</td></tr>
<tr><td>As reflected in Note 26, the Group and Company's financial statements have been prepared on a going concern basis.

There was a risk that the use of going concern assumption may not be appropriate and the relevant disclosures in the financial statements may not be complete and accurate.

The Group and Company had a net current liability position in the prior year of $11 835 833 and $11 509 628 respectively and were working towards restructuring borrowings and negotiating repayment terms with major creditors.

Recent changes in the economy driven by the budget and monetary policy pronouncements of 1 October 2018 and 20 February 2019 could also have a bearing on the group and company's future financial performance.

Given the significance of the above matter, the appropriateness of the use of the going concern assumption in the preparation of the financial statements has been determined to be a key audit matter.</td><td>In evaluating the appropriateness of the use of the going concern assumption in the preparation of the financial statements, we performed the following:
• We obtained management's cash flow forecasts and assess reasonability of key assumptions used;
• We performed a retrospective review by comparing projected cash flows against historical performance to test reasonableness of the budgets;
• We performed subsequent events reviews and assessed the potential impact of those events on the going concern assumption;
• Assessed viability of the interim measures put in place by the Board to ensure business continuity;
• Reviewed the financial statements to assess adequacy of disclosures relating to going concern.</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the 'Corporate information' and 'Directors' responsibility for financial reporting', which we obtained prior to the date of this auditor's report, and the other reports which are expected to be made available to us after that date.

The other information does not include the consolidated and separate financial statements and our auditor's report.

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

In connection with our audit of the consolidated and separate 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 and separate 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, 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 Adverse Opinion section above, the Group and Company maintained their functional currency as the USD and have presented the consolidated and separate financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21. We have determined that the other information is materially misstated for the same reason. When we read the other information obtained after the date of the auditor's report, if we conclude that there is a material mistatement therein, we are required to communicate the matter to those charged with governance.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs, the Companies Act (Chapter 24:03), the Companies (Financial Statements) Regulations, 1996 and the Zimbabwe Stock Exchange Listing Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group and 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 Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group and Company financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 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 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 and separate 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 and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated and separate 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, 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.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per. Charity Mtwazi
Partner
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Date: 16 April 2019