MEIKLES

— LIMITED —

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE **YEAR ENDED 31 MARCH 2019**

CHAIRMAN'S STATEMENT

It gives me pleasure to present the Chairman's Report for the financial year ended 31 March 2019.

FINANCIAL OVERVIEW

There were significant developments in the operating environment during the year under review. The main highlights impacting the financial statements are as follows:-

- Year on year inflation was 66.8% at the end of March 2019.
- In October 2018, Reserve Bank of Zimbabwe ("RBZ"), through a Monetary Policy announcement separated bank accounts into RTGS FCA and Nostro FCA and maintained the exchange rate between them at 1:1.
- Government promulgated Statutory Instruments ("SI") 32 & 33 of 2019 that introduced RTGS Dollar ("RTGS$") as legal tender in Zimbabwe. SI 33 of 2019 prescribes the manner in which certain balances in the financial statements should be treated as a consequence of the recognition of the RTGS$ as a currency in Zimbabwe.
- RBZ issued Exchange Control Directive RU 28 of 2019 on 22 February 2019 introducing an interbank market for trading RTGS$ against other foreign currencies. The opening exchange rate was set at 2.5 RTGS$ to one United States Dollar ("US$").

The functional currency of the Group changed in the current year to RTGS$ from US$ in the previous years as a consequence of the above. The Group also changed its presentation currency to RTGS$. Financial statements for the year ended 31 March 2019 are presented in RTGS$. Comparative financial information was translated to RTGS$ using an exchange rate of 1:1. The Group opted to comply with the requirements of SI 33 of 2019 and the treatment of foreign currency denominated transactions does not fully comply with International Accounting Standard ("IAS") 21 - "*The Effects of Changes in Foreign Exchange Rates*".

GROUP FINANCIAL PERFORMANCE

Despite the changes in the economic environment during the year under review, the Group performed well.

Revenue grew from RTGS$524.9 million in 2018 to RTGS$791.6 million in the year under review.

Group earnings before interest, taxation, depreciation and amortisation ("EBITDA") for continuing operations increased to RTGS$101.5 million from RTGS$40.6 million in the financial year to 31 March 2018.

Profit for the year grew to RTGS$65.9 million (2018: RTGS$8.2 million).

Total comprehensive income for the year increased to RTGS$118.3 million, (2018: RTGS$8.2 million), of which RTGS$106.2 million was attributable to owners of the parent and the remaining balance of RTGS$12.1 million for minority shareholders.

Segmental contributions to the Group's financial performance is set out in note 7 of these abridged audited financial statements.

REVIEW OF OPERATIONS

Supermarkets - trading as TM Pick n Pay

Revenue increased by 53.2% over the previous year. EBITDA increased to RTGS$69.0 million from RTGS$34.5 million in the previous comparative year. Profit for the year is after a provision for exchange losses on foreign currency denominated liabilities accumulated prior to the introduction of the RTGS$ commonly referred as "legacy debt" of RTGS$23.9 million.

Increase in revenue and profit was achieved through growth in units sold and inflation induced price increases, however the segment was continuously competitive in its pricing policies.

A new branch was opened in Victoria Falls in March 2019 and upgrades of more branches have commenced.

Agriculture

EBITDA rose to RTGS$31.7 million from RTGS$10.3 million in the previous year.

From November 2018, international bulk tea export prices that had remained firm at an average US$1.68/kg up to October 2018 started to decline by between 10% and 15% due to oversupply by Kenya. The segment's annual made tea production of 10,171 tonnes was commendable. Made tea production during the year ended 31 March 2018 was 10,601 tonnes.

Export earnings from the new crops being macadamia nuts, avocadoes and coffee grew by 96% from US$2.3 million in the prior year to US$4.5 million in the year ended 31 March 2019. As a percentage of total exports, the new crops contributed 25% up from 13% in the prior year. The contribution of the new crops to the segment's export earnings is expected to increase to 60% within three years as these crops reach maturity. In September 2018, Tanganda Tea Company Limited received the Confederation of Zimbabwe Industries (CZI) Exporter of The Year Award.

Pick n Pay South Africa opened shelf space to Tanganda's packed tea brands during the last quarter of fiscal year 2018. The endorsement by Pick n Pay South Africa will assist our efforts to penetrate the South African tea market. With anticipated growth in packed tea sales to the regional market, the segment invested in a new world-class IMA tagless tea-bagging machine. The machine arrived from Italy in March 2019 and was successfully installed. Export earnings from tea are poised to grow through higher prices from increased exports to the regional market.

Effects of both the hailstorm of January 2019 and Cyclone Idai of March 2019 have been mitigated by special silviculture on affected macadamia plantations, our investment in microjet irrigation systems and US$ denominated insurance cover. Tea was not affected by the phenomenon. The monetary value of damage caused by Cyclone Idai to standalone structures such as toilets, irrigation equipment covering 30 hectares of macadamia plantations and 5 hectares of macadamia trees was quantified at RTGS$222,343.

The segment contributed labour and machinery to repair some of the damaged infrastructure in Chipinge. In addition, Tanganda also assisted affected communities in both Manicaland and Manica provinces of Zimbabwe and Mozambique respectively with food and water supplies.

Hospitality

EBITDA for continuing operations increased to RTGS$8.5 million in the current year from RTGS$3.6 million in the previous year.

Meikles Hotel now requires substantial modernisation of guest facilities as well as electro mechanical and plumbing infrastructure to restore it to a 5-star property by international standards. Initial forecasts suggests up to US$30 million needs to be spent on the hotel. The Group does not consider that it is in a position to commit the necessary funds to the hotel and it is best for the future of the hotel to place its development in the hands of skilled international operators. Processes to dispose of the hotel are in progress, hence the financial statements reflect the hotel as an asset held for sale. The Company will be seeking the approval of its shareholders for the proposed disposal at an Extraordinary General Meeting to be convened at a future date.

A refurbishment programme for The Victoria Falls Hotel will commence during the last quarter of fiscal year 2019 after our peak season. Funding for these works has already been secured.

Department stores and properties

The EBITDA loss in the department stores segment reduced to RTGS$2.7 million from RTGS$4.2 million in the previous year.

The influx of cheap imports by several sections of society created a tough trading environment for the department stores segment. The Group will not commit additional resources to resuscitate this segment in its current form but will focus on developing the commercial real estate properties that the retail stores used to occupy.

Security Services

Meikles Guard Services continues to provide security services to both Group companies and to certain third parties. It is anticipated that further third party contracts will be secured.

MEIKLES FOUNDATION

During the year under review, Meikles Foundation continued to work closely with Group entities in raising funds to help disadvantaged members of society. TM Pick n Pay remained the key partner in fundraising efforts through its sponsorship from funds raised at the Charity Golf Day. Rainbow Children's Home received a substantial donation from the proceeds of the Charity Golf Day. The objective of the Home is to allow disadvantaged children with no relatives or friends in Harare, a welcoming, clean home with healthy sustaining food, to recover from their chemotherapy treatment before their journey home.

Meikles Foundation partnered with three other institutions in a pilot project utilising the existing soccer teams within the prison system in Harare to assist Zimbabwe Prisons with their programme of rehabilitation. The project was granted permission to film the events and the various participating prisons to create a video clip which will be aired locally and internationally shining a light on the Zimbabwe Prison system.

DIVIDEND

In view of the Group's financial results for the year ended 31 March 2019, the board declared a final dividend of 7.67 RTGS cents per share, bringing the total dividend for the year to 8.87 RTGS cents. The final dividend will amount to RTGS$20.02 million. A full dividend announcement will be published separately in due course.

STRATEGY AND OUTLOOK

The Group has commenced trading in the new financial year on a more favourable basis relative to the comparable period of the previous financial year, in terms of revenue and profit. Post year end, the exchange rate between RTGS$ and US$ moved significantly impacting favourably on the Group's exporting segments. Consequently, the Group now has an ability to eliminiate all short term borrowings and creditors in arrears from operating cash flows. In this regard shareholders should also consider sums to be realised from the sale of Meikles Hotel, and the additional planned funding initiaves set out below.

The Group will interact more closely with its majority shareholder. It is believed that such interaction will accelerate progress towards unlocking shareholder value. The Group will benefit from the provision of both local and international investment funds for the use of Group expansion and financial security.

The forward commercial environment will be challenging. The board recognises that additional skills at board level in the Holding Company and at board level in Group companies will be required to ensure the Group responds to challenges and meets the stringent requirements that will emanate from the investment funding that will be sourced from the efforts of the majority shareholder.

Shareholders are advised that this essential part of the Group restructuring process is to be progressed with urgency. It follows that this process will be accompanied by an assessment, followed by required implementation of future requirements for operational skills in the Group.

APPRECIATION

I would like to extend my appreciation to our customers for their continued support and to our shareholders and regulatory authorities for their support and guidance. I would also like to extend my thanks and appreciation to fellow Board members, management and staff for their dedication and commitment.

John Moxon

JRT Moxon
Executive Chairman
15 July 2019

MEIKLES

LIMITED

ABRIDGED AUDITED FINANCIAL STATEMENTS
FOR THE **YEAR ENDED 31 MARCH 2019**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	31 March 2019 RTGS$ 000	31 March 2018 RTGS$ 000
CONTINUING OPERATIONS			
Revenue	7	791,620	524,935
Net operating costs		(703,426)	(497,611)
Operating profit		88,194	27,324
Investment income		44	271
Finance costs		(8,635)	(8,640)
Net exchange losses		(7,529)	(466)
Loss recognised on discounting Treasury Bills		-	(6)
Fair value adjustments on biological assets		9,433	1,336
Profit before tax		81,507	19,819
Income tax expense		(16,670)	(11,533)
Profit for the year from continuing operations		64,837	8,286
DISCONTINUED OPERATIONS			
Profit / (loss) for the year from discontinued operations	10	1,121	(92)
PROFIT FOR THE YEAR		65,958	8,194
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of foreign operation		61,970	-
Fair value loss on financial assets classified at fair value through other comprehensive income		(9,600)	-
Reclassification adjustment arising from disposal of available-for-sale financial assets		-	47
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		52,370	47
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		118,328	8,241
Profit / (loss) for the year attributable to:			
Owners of the parent		53,827	(829)
Non-controlling interests		12,131	9,023
		65,958	8,194
Total comprehensive income / (loss) attributable to:			
Owners of the parent		106,197	(782)
Non-controlling interests		12,131	9,023
		118,328	8,241
Earnings / (loss) per share in cents			
Basic earnings / (loss) per share from continuing and discontinued operations		20.99	(0.32)
Basic earnings / (loss) per share from continuing operations		20.55	(0.29)
Diluted earnings / (loss) per share from continuing and discontinued operations		19.67	(0.30)
Diluted earnings / (loss) per share from continuing operations		19.26	(0.27)
Headline earnings per share from continuing and discontinued operations		21.43	0.08
Headline earnings per share from continuing operations		20.99	0.12
Diluted headline earnings per share from continuing and discontinued operations		20.09	0.05
Diluted headline earnings per share from continuing operations		19.68	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	31 March 2019 RTGS$ 000	31 March 2018 RTGS$ 000
ASSETS			
Non-current assets			
Property, plant and equipment		172,267	175,267
Investment property		236	239
Investment in Mentor Africa (Pty) Limited		50,778	20,046
Biological assets		2,905	1,299
Intangible assets		124	124
Other financial assets		31,847	11,815
Deferred tax		9,111	121
Total non-current assets		267,268	208,911
Current assets			
Inventories		100,163	43,870
Trade and other receivables		40,471	17,341
Biological assets – produce on bearer plants		11,178	2,810
Other financial assets		9	59
Cash and bank balances		33,006	34,175
		184,827	98,255
Assets held for sale	10	30,032	-
Total current assets		214,859	98,255
Total assets	7	482,127	307,166
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		2,611	2,562
Share premium		3,925	1,469
Other reserves		64,929	12,559
Retained earnings		131,914	82,854
Equity attributable to equity holders of the parent		203,379	99,444
Non-controlling interests		48,999	36,241
Total equity		252,378	135,685
Non-current liabilities			
Borrowings		12,244	17,309
Deferred tax		25,617	19,189
Total non-current liabilities		37,861	36,498
Current liabilities			
Trade and other payables		140,368	79,010
Borrowings		51,520	55,973
Total current liabilities		191,888	134,983
Total liabilities	7	229,749	171,481
Total equity and liabilities		482,127	307,166

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

2019	Share capital RTGS $ 000	Share premium RTGS $ 000	Other reserves RTGS $ 000	Investments revaluation RTGS $ 000	Retained earnings RTGS $ 000	Attributable to owners of parent RTGS $ 000	Non-controlling interests RTGS $ 000	Total RTGS $ 000
Balance at 1 April 2018 – as previously stated	2,562	1,469	12,559	-	82,854	99,444	36,241	135,685
Change in accounting policy – note 11	-	-	-	-	(1,694)	(1,694)	-	(1,694)
Balance at 1 April 2018 - restated	2,562	1,469	12,559	-	81,160	97,750	36,241	133,991
Profit for the year	-	-	-	-	53,827	53,827	12,131	65,958
Issue of shares – scrip dividend	49	2,456	-	-	-	2,505	-	2,505
Other comprehensive income for the year	-	-	61,970	(9,600)	-	52,370	-	52,370
Dividend paid – ordinary shareholders	-	-	-	-	(3,073)	(3,073)	-	(3,073)
Non-controlling interests arising from Mopani Property Development (Private) Limited	-	-	-	-	-	-	627	627
Balance at 31 March 2019	2,611	3,925	74,529	(9,600)	131,914	203,379	48,999	252,378
2018								
Balance at 1 April 2017	2,538	1,316	12,559	(47)	83,683	100,049	28,591	128,640
(Loss) / profit for the year	-	-	-	-	(829)	(829)	9,023	8,194
Issue of shares	24	153	-	-	-	177	-	177
Other comprehensive income for the year	-	-	-	47	-	47	-	47
Dividend paid – minority shareholders	-	-	-	-	-	-	(1,715)	(1,715)
Non-controlling interests arising from Mopani Property Development (Private) Limited	-	-	-	-	-	-	342	342
Balance at 31 March 2018	2,562	1,469	12,559	-	82,854	99,444	36,241	135,685

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2019 RTGS$ 000	31 March 2018 RTGS$ 000
Cash flows from operating activities		
Profit before tax – continuing operations	81,507	19,819
– discontinued operations	1,121	(39)
	82,628	19,780
Adjustments for:		
- Depreciation and impairment of property, plant and equipment and investment property	14,376	13,311
- Net interest	8,591	8,415
- Dividend income	-	(53)
- Net exchange losses	7,031	468
- Profit on disposal of operation	-	(768)
- Fair value adjustments on biological assets	(9,433)	(1,336)
- Loss recognised on discounting Treasury Bills	-	6
- Loss on disposal of property, plant and equipment	59	1,545
Operating cash flow before working capital changes	103,252	41,368
Increase in inventories	(56,293)	(9,403)
Increase in trade and other receivables	(11,522)	(3,627)
Increase in trade and other payables	34,088	11,895
Cash generated from operations	69,525	40,233
Income taxes paid	(18,038)	(6,447)
Net cash generated from operating activities	51,487	33,786
Cash flows from investing activities		
Payment for property, plant and equipment	(41,870)	(17,717)
Proceeds from disposal of property, plant and equipment	355	350
Proceeds from sale of Treasury Bills and coupon interest	-	3,075
Net movement in service assets	51	(89)
Net movement in other investments	11	847
Net movement on biological assets	(540)	241
Net cash flow on disposal of subsidiary	-	1,060
Investment income	42	208
Net cash used in investing activities	(41,951)	(12,025)
Cash flows from financing activities		
Net (decrease) / increase in interest bearing borrowings	(9,518)	7,064
Non-controlling interests arising from Mopani Property Development (Private) Limited	627	519
Finance costs	(8,635)	(8,640)
Dividend paid – ordinary shareholders	(568)	-
Dividend paid – non-controlling interests	-	(1,715)
Net cash used in financing activities	(18,094)	(2,772)
Net (decrease) / increase in cash and bank balances	(8,558)	18,989
Cash and bank balances at the beginning of the year	34,175	15,637
Net effect of exchange rate changes on cash and bank balances	5,743	(451)
Translation of foreign entity	1,646	-
Cash and bank balances at the end of the year	33,006	34,175

NOTES TO THE ABRIDGED AUDITED FINANCIAL STATEMENTS

1. Basis of preparation

The abridged audited financial statements are prepared from statutory records that are maintained under the historical cost basis except for biological assets and certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These abridged financial statements are presented in RTGS$, which is the Group's new functional currency.

2. Change in functional and presentation currency

Both the functional and presentation currency changed to RTGS$ in the year ended 31 March 2019 from US$ in prior years. The change in both functional and presentation currency was necessitated by significant developments in the economic environment in Zimbabwe. In February 2019, Government of Zimbabwe issued Statutory Instrument "SI" 33 of 2019, which directed that certain assets and liabilities that were in US$ before 20 February 2019 be deemed to be denominated in RTGS$ at a rate of 1:1 to US$. The Group opted to comply with the requirements of SI 33 of 2019 and translated assets and liabilities from US$ to RTGS$ at an exchange of 1:1 with the exception of balances in Nostro FCAs, foreign creditors and debtors at the date of change. Foreign currency denominated transactions were translated at 1:1 in the Statement of Profit or loss and Other Comprehensive Income from the beginning of the financial year up to 21 February 2019 and at the ruling interbank exchange rate thereafter. SI 33 of 2019, restricted full compliance with IAS 21 and the guidance issued by the Public Accountants and Auditors Board.

3. Statement of compliance

While full compliance with International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations was achieved in previous reporting periods, only partial compliance was achieved for the year ended 31 March 2019 as a result of non-compliance with IAS 21 as set out in note 2. These abridged financial results do not include all the information and disclosures required to comply with IFRS and should be read in conjunction with the Group's consolidated financial statements as at 31 March 2019 available at the Company's registered office.

4. Audit opinion

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 31 March 2019, which have been audited by Deloitte & Touche Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing. The auditors issued an adverse opinion on the financial statements for non-compliance with IAS 21. The audit report includes a section on Key Audit Matters. The Key Audit Matters are on valuation of expected credit losses on financial assets, and valuation of investment in Mentor Africa (Pty) Limited. The auditor's report is available for inspection at the Company's registered address.

5. Accounting policies

Accounting policies and methods of computation applied in the preparation of these abridged financial statements are consistent, in all material respects, with those used in the prior year, except for the adoption of IFRS 9 at the beginning of the currenct financial year, which resulted in changes in accounting policies to financial assets and liabilities.

6. Going concern

The Directors assess the ability of the Group to continue in operational existence in the foreseeable future at each reporting date. As at 31 March 2019, the Directors have assessed the Group's ability to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

7. Segment information

Revenue – Continuing operations	31 March 2019 RTGS$ 000	31 March 2018 RTGS$ 000
Supermarkets	**747,338**	487,822
Agriculture	**37,015**	28,847
Hotels	**9,101**	7,651
Departmental stores#	**792**	2,105
Corporate*	**(2,626)**	(1,490)
	791,620	524,935
EBITDA – Continuing operations		
Supermarkets	**69,010**	34,514
Agriculture◊	**31,743**	10,289
Hotels	**8,531**	3,594
Departmental stores#	**(2,698)**	(4,216)
Corporate*	**(5,107)**	(3,570)
	101,479	40,611
Segment assets		
Supermarkets	**204,081**	126,701
Agriculture	**120,763**	85,582
Hotels	**54,930**	46,966
Departmental stores#	**20,285**	24,517
Corporate*	**82,068**	23,400
	482,127	307,166
Segment liabilities		
Supermarkets	**108,112**	56,148
Agriculture	**33,385**	32,779
Hotels	**26,761**	23,515
Departmental stores#	**18,102**	29,031
Corporate*	**43,389**	30,008
	229,749	171,481

*Intercompany transactions and balances have been eliminated from the corporate amounts. Corporate also includes other subsidiaries that are immaterial to warrant separate disclosure.
◊Prior year EBITDA is after adding back RTGS$1.25 million loss on disposal of coffee bearer plants, which were uprooted to pave way for macadamia trees.
#Prior year numbers for the wholesale segment have been re-presented under Department stores.
EBITDA figures are before group management fees.

	31 March 2019 RTGS$ 000	31 March 2018 RTGS$ 000
8. Other information		
Capital commitments authorised by the Directors but not contracted for	**118,836**	23,583
Group's share of capital commitments of joint operations	**12,191**	3,000
9. Net borrowings		
Non-current borrowings	**12,244**	17,309
Current borrowings	**51,520**	55,973
Total borrowings	**63,764**	73,282
Cash and cash equivalents	**(33,006)**	(34,175)
Net borrowings	**30,758**	39,107
Comprising:		
Secured	**56,622**	57,505
Unsecured	**7,142**	15,777
	63,764	73,282

The weighted average cost of borrowings for the year was 13.18% per annum (2018: 13.39% per annum).

9.1 Summary of borrowing arrangements

- RTGS$6.9 million (2018: RTGS$1.8 million) worth of borrowings are secured by inventories.
- RTGS$5.3 million (2018: RTGS$4.1 million) worth of borrowings are secured by receivables.
- RTGS$5.2 million (2018: RTGS$22.2 million) worth of borrowings are secured by a negative pledge over assets.
- RTGS$34.6 million (2018: RTGS$45.6 million) in freehold land and buildings (including those disclosed under non-current assets held for sale) have been pledged as security for the following borrowings:
  - (i) RTGS$16.2 million which bears interest at 15% per annum with final repayment on 31 August 2019.
  - (ii) RTGS$2.0 million which bears interest at 8.4% per annum with final repayment on 31 March 2021.
  - (iii) RTGS$0.8 million which bears interest at 11% per annum, with final repayment on 30 September 2019.
  - (iv) RTGS$3.0 million which bears interest at 15.5% per annum with final repayment on 31 December 2019.
  - (v) RTGS$2.3 million which bears interest at 11% per annum with final repayment on 31 December 2019.
  - (vi) RTGS$3.2 million which bears interest at 11% per annum with final repayment on 31 July 2021.
- The Group has issued cross company guarantees worth RTGS$48.1 million (2018: RTGS$42.1 million) for Group borrowing facilities.
- Included in the unsecured borrowings is a loan of RTGS$853,000 (2018: RTGS$820,000) from Afghan African Holdings Limited, a minority shareholder in Meikles Centar Mining (Private) Limited. The loan attracts interest at LIBOR and an annual management fee of 4% per annum. There are no fixed repayment terms.
- Included in the unsecured borrowings is a loan of RTGS$1,076,000 (2018: RTGS$1,005,000) from Mr Ian Hannam, who is connected with Afghan African Holdings Limited. The loan attracts interest at 10% per annum and has no fixed repayment terms.

9.2 Breach of loan covenants

During the course of the current year, the Group was in default on some of its loan covenants with lenders. These defaults arose as a result financial difficulties facing some of the Group's components. The affected lenders had called on the loans but the Group managed to renegotiate new payment agreements with these lenders by 31 March 2019. Details of the revised loan expiry dates are as disclosed in note 9.1 above.

10. Discontinued operations

Meikles Hotel

The Directors of the Company resolved to dispose of the entire Meikles Hotel property, plant and equipment. Meikles Hotel is a division within the Group's hospitality segment, Meikles Hospitality (Private) Limited. As at the reporting date, sale agreements had been concluded in principle subject to approval by shareholders of the Company and regulatory authorities. Processes to procure approvals requisite to the transaction had commenced by 31 March 2019. The expected proceeds of sale exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognised. The assets to be disposed have been classified as held for sale on the consolidated statement of financial position. The summary of the profit / (loss) position from the discontinued operation and the non-current assets held for sale have been shown below.

Meikles Financial Services

As reported in the prior year, the Company disposed of Tuscarora Investments (Private) Limited (trading as Meikles Financial Services), which carried out the Group's financial services operations. The proceeds of sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised. The disposal of the financial services operations is consistent with the Group's long-term policy to focus its activities on its main segments, namely retail, agriculture, hospitality and security services. The results of the discontinued operations included in profit for the period are as set out below.

The prior year comparative financial information from discontinued operation have been re-presented to include the operation classified as discontinued in the current period.

	31 March 2019 RTGS$ 000	31 March 2018 RTGS$ 000
Profit / (loss) for the period from discontinued operation		
Revenue	**14,585**	9,995
Net fees and commission income	**-**	297
Net operating costs	**(14,658)**	(11,453)
Other operating income	**696**	349
Operating profit / (loss)	**623**	(812)
Investment income	**-**	11
Interest expense	**-**	(4)
Exchange gains / (losses)	**498**	(2)
Profit on disposal of operation	**-**	768
Profit / (loss) before tax	**1,121**	(39)
Taxation	**-**	(53)
Profit / (loss) for the year from discontinued operations	**1,121**	(92)
Cash flows from discontinued operations		
Net cash inflows from operating activities	**3,104**	4,035
Net cash flows from investing activities	**(306)**	71
Net cash outflows from financing activities	**(1,317)**	(3,913)
Net cash flows from discontinued operations	**1,481**	193

Analysis of assets to be disposed of	31 March 2019 RTGS$ 000
Non-current assets	
Property, plant and equipment	**30,032**
Net assets to be disposed of	**30,032**

11. Change in accounting policy – IFRS 9 adjustments

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

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities as well as impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments Disclosure*.

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 were recognised in the opening retained earnings.

Below is the reconciliation of retained earnings at 1 April 2018 to show the effects of adopting IFRS 9:

	RTGS$'000	Retained earnings RTGS$'000
Balance at 1 April 2018 – as previously stated		**82,854**
Decrease in trade and other receivables	(638)	
Decrease in other financial assets	(1,203)	
Increase in deferred tax	147	
Total adjustments		(1,694)
Balance at 1 April 2018 – restated		**81,160**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEIKLES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Meikles Limited and its subsidiaries ("the Group") set out on pages 13 to 58 which comprise the consolidated statement of financial position as at 31 March 2019, 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.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly, the consolidated statement of financial position of Meikles Limited as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI33/99 and SI 62/96.

Basis for Adverse Opinion

The Group 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. 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."

As a result of these factors the directors performed an assessment on the functional currency of the Group in accordance with IAS 21 and acknowledged that the functional currency of the Group is no longer USD.

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 as currency.

Basis for Adverse Opinion (continued)

The Directors used the same date to effect the change in functional currency. 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 on 22 February 2019 in accordance with SI 33/19 results 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. Had the Group applied the requirements of IAS 21, many of the elements of the accompanying consolidated 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 financial statements of this departure have not been determined.

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 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.

Material Uncertainty Related to Going Concern

We draw attention to note 4.2.1 in the financial statements which indicates that as at 31 March 2019, the Group's current liabilities exceeded its current assets by US$7.1 million (2018: US$36.7 million) and that the Group had defaulted on certain commitments to lenders and creditors including statutory obligations. These conditions as set out in note 4.2.1, along with other matters relating to litigation and contingencies as set out in note 34 indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of these matters.

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 matters described in the *Basis for Adverse Opinion* section of our report and the *Material Uncertainty Related to Going Concern section*, we have determined the matters described below to be the key audit matters.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MEIKLES LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED 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">Valuation of expected credit losses on financial assets</td></tr>
<tr><td>The Group adopted the new and complex accounting standard (IFRS 9: Financial Instruments) on 1 April 2018. This standard introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39. The closing impairment allowances reflected in the statement of financial position as at 31 March 2019 and determined in accordance with IFRS 9 amounts to RTGS$3,9 million split as follows:
- Trade and other receivables RTGS$2,7 million (note 23); and
- Other financial assets RTGS$1,2 million (note 21)

This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment.

The key areas where we identified greater levels of Director's judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included:

• The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Group's expected credit loss model;
• Assumptions used in the expected credit loss such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, gross domestic rates, interest rates, gross domestic product growth, inflation); and
• The identification of exposures with a significant deterioration in credit quality.

Note 3 and 4 to the financial statements includes details on the accounting policies and judgements applied with respect to the expected credit losses. Note 23 further provides detailed information around the determination of the expected credit losses.</td><td>General procedures
• Tested the design and implementation of controls with respect to the determination of the expected credit losses;
• Performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9;
• Obtained an understanding of the work performed by the Group's credit expert in determination of the expected credit losses;
• Performed procedures to ensure the competence, objectivity and independence of the Group's expert;

Procedures performed with respect to trade and other receivables
• Tested assumptions used in the ECL calculations and assessed for reasonability;
• Tested the completeness of trade and other receivables included in the ECL calculations;
• Assessed consistency of inputs and assumptions used by the Group's management to determine impairment provisions;
• Tested the accuracy and completeness of data inputs used in the determination of the ECL;
• Where applicable, reviewed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages;
• For a sample of exposures, tested the appropriateness and of the Group's staging, where applicable;
• Reviewed the appropriateness of the opening balance adjustments.

Procedures performed around other financial assets
• Tested assumptions used in the ECL calculations and assessed for reasonability as follows:
- Where applicable, inspected agreements and contracts regulating the balances and obtained confirmations of balances ;
- Inspected resolutions and signed agreements where there was a change / resolution of pending issues in current year;
- Where balances are secured, assessed adequacy of securities pledged;
- Considered the appropriateness of related party disclosures in terms of International Accounting Standard 24- Related party disclosures.</td></tr>
</table>

Key audit matter	How the matter was addressed in the audit
Valuation of investment in Mentor Africa (Pty) Limited	
The adoption of IFRS 9: Financial Instruments also required the re-assessment of the classification of investments held by the Group. As disclosed in note 4.2.7, the investment in Mentor Africa (Pty) Limited is now carried at fair value through other comprehensive income. This was previously carried at cost, with an annual reassessment for impairment. As disclosed in note 18, the carrying amount of the investment was determined to be RTGS$50,8 million. The determination of the fair value involved the use of valuation experts and numerous methodology as guided by International Accounting Standard 13- Fair Value measurement. This was considered a key audit matter due to the significant judgement and assumptions made by the Directors which involved: • The appropriateness of the methodology used; • The suitability of the comparable entity used and related adjustments to cater for the non-tradability of the entity's shares. Note 4.2.7 to the financial statements includes details on the accounting policies applied with respect to the expected credit losses. Note 18 further provides detailed information with respect to the determination of the carrying amount.	*We performed a number of procedures including the following:* • Assessed the appropriateness of the classification of the investment as required by IFRS 9; • Evaluated the independent external valuer's competence, capabilities and objectivity; • Checked, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer; • Using our internal valuation experts, we performed the following: - A detailed examination of the valuation methodologies and models adopted by the Directors and assessed the appropriateness of these against market practice and our prior experience; - Where inputs and assumptions were not observable in the market, we critically assessed whether they fell within an acceptable range based on relevant knowledge and experience of the market; - We performed an independent valuation of a sample of positions and compared with the Directors' valuation. We assessed whether any resultant differences in outcomes arising were within a reasonable range of outcome; and • Inspected the consolidated financial statements for adequate disclosures of the assumptions, judgments and various inputs to the valuation.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, Corporate Governance, Report of Directors as required by the Companies Act (Chapter 24:03), Director's Responsibility for Financial Reporting, Key performance measures, Shareholders Information, Group Structure, Tax issues and share prices, Corporate Information, Notice of Meeting, Form of Proxy and Instructions for signing and lodging the form of proxy, which we obtained prior to the date of this auditor's report and the Annual Report which is expected to be made available to us after the date. 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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. As described in the Basis for Adverse Opinion section above, the Group changed their functional currency to the RTGS$ effective 22 February 2019. The date of change in functional currency that complies with IFRS is 1 October 2018. Consequently the USD transactions between the period 1 October 2018 to 22 February 2019 do not comply with the requirements of IAS 21 as they have not been appropriately translated. We have determined that the other information is misstated for that 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.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 and SI 62/96), and for such internal control as the Directors determine 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, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 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 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MEIKLES LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- 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 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.

We also provide the Directors 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 the Directors, 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

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Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Charity Mtwazi
Partner
Registered Auditor
PAAB Practice Certificate Number: 0585

Date: 18 July 2019