



Financial Highlights

	Change	Inflation Adjusted		Historical Cost	
		Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
Revenue	34%	334,085,086	248,549,590	186,545,117	40,014,431
EBT	613%	75,055,900	10,526,235	122,614,185	1,694,636
EBITDFVA	426%	106,408,192	20,216,067	69,448,718	3,254,621
EBITDFVA/Revenue	292%	32%	8%	37%	8%
Basic Earnings Per Share (cents)	261%	14.19	3.93	41.94	0.50
Diluted Earnings Per Share (cents)	264%	14.19	3.89	41.94	0.50
Headline earnings per share	206%	11.81	3.86	10.72	0.49

PRELIMINARY ANNOUNCEMENT TO SHAREHOLDERS

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present to you the audited consolidated financial results for the year ended 31 December 2019.

KEY ACCOUNTING DEVELOPMENTS

Changes in Functional Currency

The Minister of Finance and Economic Development, through Statutory Instruments 33 of 2019 and 142 of 2019 which were promulgated on 21 February 2019 and 24 June 2019 respectively, introduced the Zimbabwe Dollar as a mono-currency and abolished the multi-currency regime that had been in place since 2009. As a consequence of this change in functional currency, the Group restated its opening balances at an initial exchange rate of US\$1: ZWL2.5 effective 1 March 2019. The restatement resulted in a foreign currency translation reserve of ZWL115,406,473 which has been disclosed in the statement of changes in equity.

Reporting in Hyperinflationary Environments

The Public Accounting and Auditors Board (PAAB), in its circular 01/19 of 11 October 2019, advised stakeholders that the factors and characteristics to apply the International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies had been met. The Group has accordingly adopted IAS 29 with effect from 1 January 2019, which are reflected in the annual audited consolidated financial statements. The IAS 29 restated financial statements are therefore deemed to be the primary set of financial information and will form the basis of my report.

FINANCIAL PERFORMANCE OVERVIEW

The Group's revenue at ZWL334,085,086 (2018: ZWL248,549,590) was ahead of the comparative period by 34% on the back of a solid order book. Profit before tax increased by 613% to ZWL70,055,900 (2018: ZWL10,526,235), mainly driven by operational efficiencies on contracting projects, fair value gains realised on the revaluation of investment properties, exchange gains arising from a net foreign currency asset position and net monetary loss arising from a net non-monetary asset.

The Roads, Mining, Retail & Commercial Buildings and Housing Infrastructure segments were the main revenue drivers for the period under review.

The Group's EBITDFVA improved by 426% from the comparative period due to growth in revenue and operating efficiencies underpinned by technological innovations that were implemented in the current period.

The financial position of the Group strengthened to ZWL459,201,060 (2018: ZWL261,218,084) due to improved profitability and the Board's deliberate decision to harden the financial position through the acquisition of property, plant and equipment.

The Group's net working capital improved to ZWL70,655,785 (2018: ZWL20,952,900), mainly driven by growth in business.

Cash generated from operations improved to ZWL54,810,839 (2018: ZWL20,072,981), mainly attributable to business growth and improved profitability. Cash utilised in investing activities amounted to ZWL54,819,997 (2018: ZWL1,633,551) and this was mostly expended on capital expenditure. Resultantly, in line with the Board's strategy to preserve value of positive cashflows, cash and cash equivalents declined by ZWL11,708,719.

The Group continues to prepare a set of financials in United States Dollars (US\$) for internal measurement purposes only. The company's performance in US\$ terms marginally improved from the comparative period. As part of the strategy to preserve value, capital expenditure and work in progress for the year amounted to US\$3,017,325, bringing the three-year cumulative capital expenditure to US\$7,406,892.

OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SERIES (OHSAS)

The Group maintained all its three International Organisation of Standardisation certifications in the period under review, namely International Organisation for Standardisation (ISO) 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and International Organisation for Standardisation (ISO) 45001:2018 Occupational Health and Safety Management System. In line with our Zero Harm programs, Lost Time Injury Frequency Rate (LTIFR) improved to 0.89 (2018: 1.73).

OUTLOOK

Subsequent to the reporting period, there has been a worldwide COVID-19 pandemic and it is forecast that world economies will go into recession. The Board continues to assess the impact of this virus on its business operations and its human resource. While we will remain guided by the Government of Zimbabwe on the course of action, the company has put in place a raft of best practice measures to mitigate the potential effects of this deadly virus.

Considering the above and the impact of drought and Cyclone Idai, the operating environment is likely to remain constrained as characterised by continued foreign currency, power, fuel shortages and inflationary pressures. The Group, as at reporting date, had a solid order book that included Roads, Housing and Mining infrastructure. The continued economic headwinds are likely to impact negatively on the execution of the order book. The Board remains alive to the current risks and opportunities and will maintain its Value and Growth strategy.

DIVIDEND


The Board, having considered the profitability of the Group, its future cashflows and the potential economic impact of COVID-19 on the Group's operations, has proposed a nil dividend. Resultantly, inclusive of the interim dividend paid, the total dividend for the year ending 31 December 2019 will be ZWL0.83 cents (2018: ZWL0.35 cents).

DIRECTORATE

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

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our valued customers, suppliers and key stakeholders for the continued support in these difficult and challenging times, as well as to the executives and staff for their efforts.


G. Sebborn
29 April 2020

EXTERNAL AUDITOR'S OPINION

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing. The auditors have issued an adverse audit opinion on the inflation adjusted financial statements with respect to non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies, and the extent to which fair values for assets, transactions and liabilities presented in the consolidated financial statements are affected by the prevailing economic environment.

The Auditors have included a section on key audit matters. The key audit matters were with respect to the revenue recognition and valuation of construction projects. There is an emphasis of matter regarding the impact of COVID-19 pandemic on the Group's operations and the fact that it is not possible to reliably estimate the duration and severity of the consequences thereof. The auditor's report on the inflation adjusted financial statements which form the basis of these financial results is available for inspection at the Group's registered office.

The engagement partner on the audit resulting in the auditor's report is Farai Chibisa (PAAB Number 0547)

Abridged Consolidated Statement of Profit or Loss for the Year Ended 31 December 2019

Notes	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
	334,085,086	248,549,590	186,545,117	40,014,431
Revenue				
Profit before depreciation and fair value adjustments	106,408,192	20,216,067	69,448,718	3,254,621
Fair value adjustment	36,737,306	-	60,793,584	-
Depreciation	(16,630,187)	(8,619,616)	(7,076,337)	(1,387,689)
Operating profit	126,515,311	11,596,451	123,165,965	1,866,932
Net interest paid	(950,845)	(1,070,216)	(551,780)	(172,296)
Net monetary loss	(50,508,566)	-	-	-
Profit before tax	75,055,900	10,526,235	122,614,185	1,694,636
Tax	(40,763,398)	(1,358,850)	(21,265,095)	(517,117)
Profit for the year	34,292,502	9,167,385	101,349,090	1,177,519
Number of shares in issue (millions)	241.7	233.2	241.7	233.2
Basic earnings per share (cents)	14.19	3.93	41.94	0.50
Diluted earnings per share (cents)	14.19	3.89	41.94	0.50

Abridged Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
Profit for the year	34,292,502	9,167,385	101,349,090	1,177,519
Other comprehensive income:				
Gain on revaluation of property, plant and equipment	-	-	127,995,887	-
Movement in available for sale investments	9,175,231	10,459,176	9,175,231	1,683,841
Deferred tax charge on other comprehensive income	(91,752)	(104,593)	(34,283,911)	(16,839)
Other comprehensive income for the year, net of tax	9,083,479	10,354,583	102,887,207	1,667,002
Total comprehensive income for the year	43,375,981	19,521,968	204,236,297	2,844,521

Abridged Consolidated Statement of Financial Position as at 31 December 2019

Notes	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
ASSETS				
Property, plant and equipment	168,880,112	53,986,552	168,880,112	8,691,388
Investment property	65,409,584	28,672,278	65,409,584	4,616,000
Investments	11,955,332	17,365,368	11,955,332	2,795,681
246,245,028	100,024,198	246,245,028	16,103,069	
Current assets				
Cash and cash equivalents	11,825,920	23,534,630	11,825,920	3,788,881
Contracts in progress and accounts receivable	172,441,262	126,450,215	172,441,262	20,357,440
Inventories	28,688,850	10,720,948	8,743,351	1,725,984
Current tax asset	-	488,093	-	78,579
212,956,032	161,193,886	193,010,533	25,950,884	
Total assets	459,201,060	261,218,084	439,255,561	42,053,953
EQUITY AND LIABILITIES				
Share capital	14,571,369	14,484,122	2,351,429	2,331,824
Share premium	5,484,782	2,518,315	1,072,000	405,428
Reserves	180,822,346	56,360,795	133,746,903	10,232,276
Retained earnings	58,320,644	29,432,341	102,083,310	3,579,150
259,199,141	102,795,573	239,253,642	16,548,678	
Non-current liabilities				
Deferred tax	55,152,675	14,363,279	55,152,675	2,312,928
Interest bearing borrowings	2,298,573	1,242,300	2,298,573	200,000
Finance lease	250,424	2,575,946	250,424	414,706
57,701,672	18,181,525	57,701,672	2,927,634	
Current liabilities				
Interest bearing borrowings	1,983,136	4,005,528	1,983,136	644,857
Finance lease	182,227	3,185,939	182,227	512,910
Accounts payable	140,134,884	133,049,519	140,134,884	21,419,874
142,300,247	140,240,986	142,300,247	22,577,641	
Total equity and liabilities	459,201,060	261,218,084	439,255,561	42,053,953

Abridged Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
Net cashflow generated by operating activities	131,456,819	20,072,981	33,301,730	3,231,584
Net cashflow utilised by investing activities	(131,465,977)	(1,633,551)	(26,075,491)	(262,988)
Net cashflow (utilised by)/generated from financing activities	(11,699,552)	(2,948,487)	810,800	(474,682)
(Decrease)/increase in cash and cash equivalents	(11,708,710)	15,490,943	8,037,039	2,493,914



**Abridged Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
Shareholders' equity at the beginning of the period	102,795,573	87,203,014	16,548,678	14,038,405
Share based payments reserve	(28,401)	(1,762)	(4,572)	(284)
Other comprehensive income for the period	9,083,479	10,354,581	102,887,207	1,667,002
Dividend paid	(5,404,199)	(2,161,788)	(2,844,930)	(348,030)
Restatement-FCTR	115,406,473	-	20,631,992	-
Issue of shares	3,053,714	87,371	686,177	14,066
Profit for the period	34,292,502	9,167,385	101,349,090	1,177,519
Inflation adjustment	-	(1,853,228)	-	-
Shareholders' equity at the end of the period	259,199,141	102,795,573	239,253,642	16,548,678

SUMMARY OF INFORMATION

1. BASIS OF PRESENTATION

The Group's financial statements have been prepared under policies consistent with the requirements of the Companies and other Business Entities Act (Chapter 24:31). The financial statements have been prepared under the current cost convention in accordance with International Accounting Standard 29: Reporting in Hyperinflationary Economies. The principal accounting policies of the Group have been applied consistently in all material respects with those from previous years. These Group financial statements have been prepared under the assumption that the Group will continue to operate on a going concern basis.

2. APPLICATION OF IAS 29: REPORTING IN HYPERINFLATIONARY ECONOMIES

The Group adopted IAS 29: Reporting in Hyperinflationary Economies, effective 1 January 2019, as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board (PAAB). IAS 29 requires that the financial statements prepared in the currency of a hyper inflationary economy be stated in terms of a measuring unit current at the financial position date. The restatement has been calculated by means of conversion factors derived from the Consumer Price Index (CPI) from the Zimbabwe National Statistical Agency. The conversion factors applied to restate the financial statements as at 31 December 2019, using a February 2019, base are as detailed below:-

Period	Index	Conversion factor
31 December 2019	551.63	1.000
31 December 2018	88.81	6.211

3. FUNCTIONAL CURRENCY

The abridged financial statements are presented in Zimbabwe Dollars (ZWL), being the functional and reporting currency of the primary economic environment in which the Group operates.

During the period under review, the Reserve Bank of Zimbabwe issued a monetary policy statement whose highlights among other issues included:-

- Denomination of real time gross settlement (RTGS) balances, bond notes and coins collectively as ZWL.
- Promulgation of the ZWL that was to be used by all entities and individuals in Zimbabwe for purposes of pricing of goods/services, record debts and accounting settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate would be determined on a willing buyer-willing seller basis.
- Demonetisation of foreign currency with effect from 24 June 2019, as per Statutory Instrument 142/2019.

As a result of the currency changes announced by the Reserve Bank of Zimbabwe the Directors assessed, as required by International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange Rates and consistent with the guidance issued by the PAAB, whether use of the United States Dollars as the functional and reporting currency remained appropriate. Based on the assessment, the Directors concluded that the Group's transactional and functional currency had changed to ZWL. The Group adopted the ZWL as the new functional and reporting currency with effect from 1 March 2019.

4. NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

The abridged financial statements are presented in Zimbabwean Dollars, being the functional and reporting currency of the primary economic environment in which the Group operates.

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
4.1 Profit before tax				
Profit before tax is shown after charging/(crediting) the following items:				
Staff costs	12,990,442	15,503,709	10,282,064	2,495,969
Compensation of directors and key management for services as directors	496,882	388,219	216,349	62,500
for management services	5,554,315	3,860,136	2,469,060	621,450
4.2 Taxation				
Current tax	(69,220)	-	(69,220)	-
Deferred tax	(40,694,178)	(1,358,850)	(21,195,875)	(517,117)
	(40,763,398)	(1,358,850)	(21,265,095)	(517,117)
Tax reconciliation				
Profit before tax	75,055,900	10,526,235	122,614,185	1,694,636
Tax at standard rate	(19,326,894)	(2,710,506)	(31,573,153)	(436,369)
Adjusted for:				
Effects of expenses not deductible for tax	(11,543,251)	1,081,325	4,798,096	(66,604)
Effects of other permanent differences	(9,893,253)	270,331	5,509,962	(14,144)
	(40,763,398)	(1,358,850)	(21,265,095)	(517,117)
4.3 Property, plant and equipment				
Movement for the year:				
Balance at the beginning of the year	53,986,552	54,213,141	8,691,388	8,727,867
Capital expenditure	131,961,374	8,734,212	26,286,638	1,406,137
Depreciation	(16,630,187)	(8,619,616)	(7,076,337)	(1,387,689)
Carrying amount of disposals	(437,627)	(341,185)	(10)	(54,927)
Foreign currency translation reserve	-	-	12,982,546	-
Revaluation - recognition on revaluation	-	-	112,734,503	-
Depreciation - elimination on revaluation	-	-	15,261,384	-
Balance at the end of the year	168,880,112	53,986,552	168,880,112	8,691,388

Land and buildings were revalued on an open market basis by independent valuers at the end of December 2019. Other property, plant and equipment were revalued by translating the United States Dollars carrying amount into Zimbabwe Dollars by applying the closing interbank rate.

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
4.4 Investment property				
Movement for the year:				
Balance at beginning of the year	28,672,278	28,672,278	4,616,000	4,616,000
Fair value adjustments	36,737,306	-	60,793,584	-
Balance at end of the year	65,409,584	28,672,278	65,409,584	4,616,000

The investment property were revalued on an open market basis by independent valuers at the end of December 2019.

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
4.5 Investments				
Financial assets carried at fair value through other comprehensive income	11,955,332	17,268,593	11,955,332	2,780,101
Investment in joint venture	-	96,775	-	15,580
	11,955,332	17,365,368	11,955,332	2,795,681
4.6 Contracts in progress and accounts receivables				
Contract receivables and contract work in progress	98,368,245	92,485,335	98,368,245	14,889,375
Trade receivables	1,909,013	7,012,565	1,909,013	1,128,965
Prepayments	71,250,099	27,442,967	71,250,099	4,418,091
Deposits and other receivables	992,276	813,489	992,276	130,965
	172,519,633	127,754,356	172,519,633	20,567,396
Less: Allowance for doubtful receivables	(78,371)	(1,304,141)	(78,371)	(209,956)
	172,441,262	126,450,215	172,441,262	20,357,440

The Company provides for receivables aged above 90 days on a case by case basis where subsequent developments suggest that recovery of the amount is in doubt.

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
4.7 Interest bearing borrowings				
Long term	2,298,573	1,242,300	2,298,573	200,000
Short term	1,983,136	4,005,528	1,983,136	644,857
	4,281,709	5,247,828	4,281,709	844,857

4.8 Finance leases

Inflation Adjusted 2019

Minimum lease payments

Principal

Interest

	Up to 1 year ZWL	2 to 5 years ZWL	Total ZWL
Principal	182,227	250,424	432,651
Interest	36,625	9,149	45,774
	218,852	259,573	478,425

Inflation Adjusted 2018

Minimum lease payments

Principal

Interest

	Up to 1 year ZWL	2 to 5 years ZWL	Total ZWL
Principal	3 185,939	2,575,946	5,761,885
Interest	382,784	119,255	502,039
	3 568,723	2 695 201	6,263,924

Historical Cost 2019

Minimum lease payments

Principal

Interest

	Up to 1 year ZWL	2 to 5 years ZWL	Total ZWL
Principal	182,227	250,424	432,651
Interest	36,625	9,149	45,774
	218,852	259,573	478,425

Historical Cost 2018

Minimum lease payments

Principal

Interest

	Up to 1 year ZWL	2 to 5 years ZWL	Total ZWL
Principal	512,910	414,706	927,616
Interest	61,625	19,199	80,824
	574,535	433,905	1,008,440

The short-term loans represent a reclassification to current liabilities as per IFRS7. The loans have a tenure of three years and accrue interest at an effective rate of 32% per annum (2018: 12%). These loans are fully secured against immovable property and a notarial general covering bond over movable assets including cession of book debts.

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL	Audited 31 December 2019 ZWL	Audited 31 December 2018 ZWL
4.9 Accounts payable				
Trade payables	1,791,233	6,925,705	1,791,233	1,114,981
Unearned revenue	48,327,680	34,277,883	48,327,680	5,518,456
(Advance receipts from customers)	75,442,685	51,222,373	75,442,685	8,246,379
Contract accruals and other payables	139,952	-	139,952	-
Tax liabilities	14,433,334	40,623,558	14,433,334	6,540,058
Subcontractor liabilities	-	-	-	-
	140,134,884	133,049,519	140,134,884	21,418,874
4.10 Contingent liabilities				
Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids.	61,700,927	9,773,611	61,700,927	9,773,611

4.11 Events after reporting date

4.11.1 The Coronavirus pandemic (COVID-19)

In December 2019, a novel strain of the coronavirus was reported in Wuhan, China. The World Health Organisation has declared the outbreak to constitute a "Public Health Emergency of International Concern." His Excellency, President Emmerson Mnangagwa, on 17 March 2020 declared the outbreak of the Coronavirus a National Disaster. The Board believes that the Coronavirus is likely to negatively impact on the business performance. However its impact is likely dependent on certain developments which include, duration and spread of the outbreak, impact on our customers, suppliers and employees. The related financial impact cannot be reasonably estimated at this time.

4.11.2 Approval of blocked funds

On the 13th of February 2020, the Reserve Bank of Zimbabwe approved the Group's blocked funds application in the amount of US\$231,293.11 and these liabilities have been retranslated to Zimbabwe Dollars based on closing interbank as at 31 December 2019.

