TURNALL HOLDINGS LIMITED

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights	ZWL'000
Revenue	231,567
Profit from operations	28,857
Profit before taxation	99,348
Profit for the year	96,745

Chairpersons' Statement

Introduction

On behalf of the Board of Directors, I hereby present the Turnall Holdings Limited abridged audited financial results for the year ended 31 December 2019.

Operating Environment

There were a lot of significant developments in the country during the year, particularly on currency reforms. At the beginning of the year, the country was adjusting to the separation of RTGS balances and Nostro balances which was implemented on 1 October 2018. This was followed by the introduction of the RTGS Dollar as a currency in February 2019 and the introduction of the interbank market for foreign currency trading purposes. The Zimbabwe Dollar was reintroduced in June 2019, and at the same time the Government abolished the multi-currency system and concurrently directed the use of the Zimbabwe Dollar for all domestic transactions.

Both the RTGS Dollar and the Zimbabwean Dollar suffered significant devaluations. This resulted in significant price increase across the economy. Consequently, inflation grew significantly in line with the currency devaluation. The Public Accountants and Auditors Board advised that conditions for the restatement and presentation of inflation adjusted financial statements had been met effective for reporting entities with financial years ending on or after 1 July 2019. Accordingly, the Group has prepared inflation adjusted financial statements to comply with the International Financial Reporting Standards.

The foreign currency interbank system was unable to provide for the foreign currency needs of industry. The country witnessed significant power outages during the year as a result of reduced generating capacity. This affected businesses through increased downtime and increased costs of alternative energy sources.

The combined effect of the above resulted in reduced capacity utilisation for the manufacturing sector and a decline in both production and sales volumes.

Financial Performance

In line with the requirements of International Financial Reporting Standards, the Group prepared financial statements using the requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies". The inflation adjusted financial statements presented, are the primary financial statements with the historical financial statements being prepared for supplementary purposes only.

The Group's turnover for the year was ZWL231.6 million which is 11% below the previous year. The Group experienced depressed product demand during the year due to low disposable incomes as inflation increased during the year. Despite slightly improved demand in the second half, the Group was constrained by unavailability of foreign currency for the importation of raw materials, high power outages and shortages.

The Group reported profit for the second successive year after years of reporting losses marking the turnaround of the business. In order to consolidate and sustain the gains achieved the directors will continue with the following measures to ensure that the Group continues to operate in the foreseeable future;

a) The Group will focus on increasing the usage of local fibre and reduce reliance on imported fibre, thereby limiting the Group's exposure to foreign currency shortages;
b) The Group continues to implement cost control measures to improve the viability of the business;
c) The Group upgraded the fibre cement line to increase capacity and efficiency and plans to upgrade the NuTech fibre cement plant in order to improve the Group's access to foreign markets;
d) The Group will focus on improving product offering to enhance competitiveness;
e) The Group will continue to prepay for imported raw materials and spares to avoid significant exposure to foreign borrowings and related exchange losses; and
f) The Group will implement technical cooperation initiatives aimed at improving product quality and productivity.

Export turnover improved to ZWL10.5 million contributing 5.0% of turnover from 0.3% in the previous year. This was attributed to the Group's export strategy that resulted in enhanced presence in the regional markets. In the prior year, the Group was exporting to Zambia only, but increased its market coverage in 2019 to include Mozambique and South Africa.

The gross profit margin for the year was 33% (2018: 35%). The Group was unable to pass on the full cost of production to the customers due to price resistance.

The Group operating costs of ZWL62.5 million were 12% above the previous year compared to revenue decline of 11%. The Group's costs were affected by the significant increases in fuel costs and electricity tariffs during the year. Finance costs of ZWL1.88 million were 65% below the previous year.

The Group reported a monetary gain of ZWL72.4 million (2018: ZWL44.0 million). The Group benefited from its net monetary liability position for both periods.

The profit before tax was ZWL99.4 million (2018: ZWL76.5 million).

The Group utilised all tax losses from the previous years and will pay current tax of ZWL1.9 million for the year 2019.

Property, plant and equipment was revalued by an independent professional valuer as at 31 December 2019. This resulted in a revaluation reserve of ZWL177.3 million.

Board and Management

Mr A. Mashava who was alternate to Mr N. Hayes resigned from the board on 31 December 2019.

Outlook

The country is going through a difficult economic landscape and there are indications that this may continue during the forthcoming year. The Group will focus on cost containment and exports growth in order to increase sales volumes and obtain foreign currency required for importation of raw materials and spares.

Health Pandemic – COVID 19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. Subsequent to the year end, the infections have spread across the world and many lives have been lost. The World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." Many countries across the world, including Zimbabwe, have responded by implementing mandatory lockdowns in order to combat the spread of the disease.

The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, suppliers and employees and government interventions all of which are uncertain and cannot be predicted.

Dividend

In view of the need to conserve working capital, 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, statutory bodies, other key stakeholders, my fellow directors, management and staff of Turnall Holdings Limited for the support and commitment during the past year. The Group looks forward to your continued support.

By Order of the Board.

Mrs. R. Likukuma
Chairperson

17 April 2020

Consolidated Statement of Comprehensive Income

	Inflation Adjusted		*Historic	
	Audited year ended 31.12.2019 ZWL	Audited year ended 31.12.2018 ZWL	Audited year ended 31.12.2019 ZWL	Audited year ended 31.12.2018 ZWL
Revenue	231,567,406	259,957,786	102,359,893	32,230,204
Cost of sales	(155,406,920)	(167,903,375)	(55,854,682)	(18,785,318)
Gross profit	76,160,486	92,054,411	46,505,211	13,444,886
Other income	15,221,052	1,502,208	3,877,259	223,474
Selling and distribution expenses	(24,273,696)	(17,058,863)	(11,913,378)	(2,146,630)
Administrative expenses	(38,251,273)	(38,715,224)	(16,489,714)	(4,992,474)
Profit from operating activities	28,856,569	37,782,532	21,979,378	6,529,256
Finance costs	(1,883,136)	(5,376,495)	(561,343)	(649,743)
Gain on net monetary position	72,374,657	44,060,637	-	-
Profit before taxation	99,348,090	76,466,674	21,418,035	5,879,513
Income tax expense	(2,603,546)	(2,676,988)	(3,872,766)	(2,043,009)
Profit for the year	96,744,544	73,789,686	17,545,269	3,836,504
Other comprehensive income/(loss) - net of income tax				
Revaluation of property, plant and equipment	177,275,586	-	286,373,064	-
Foreign currency translation differences	(772,894)	63,696	(712,546)	7,402
Total comprehensive income for the year	273,247,236	73,853,382	303,205,787	3,843,906
Earnings per share				
Number of shares in issue	493,040,308	493,040,308	493,040,308	493,040,308
Basic and diluted (cents per share)	19.62	14.97	3.56	0.78
Headline (cents per share)	17.73	14.97	3.20	0.78

The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29: Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

Consolidated Statement of Financial Position as at 31 December 2019

	Inflation Adjusted		*Historic	
	Audited year ended 31.12.2019 ZWL	Audited year ended 31.12.2018 ZWL	Audited year ended 31.12.2019 ZWL	Audited year ended 31.12.2018 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment	401,099,984	170,999,181	401,099,984	20,031,499
Investment property	2,698,973	2,755,202	262,439	269,080
Investments in financial assets	416,742	2,479,902	416,742	399,230
Deferred taxation	1,416,818	3,754,861	1,416,818	4,770,557
Total non-current assets	405,632,517	179,989,146	403,195,983	25,470,366
Current assets				
Inventories	53,974,217	41,436,273	30,574,661	4,204,474
Trade and other receivables	23,075,600	30,292,859	15,195,936	6,670,669
Cash and cash equivalents	2,413,695	2,533,248	2,413,695	407,818
Total current assets	79,463,512	74,262,380	48,184,292	11,282,961
Total assets	485,096,029	254,251,526	451,380,275	36,753,327
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	42,427,618	42,427,618	4,930,403	4,930,403
Share premium	1,565,374	1,565,374	181,908	181,908
Non-distributable reserve	65,875,660	65,875,660	7,655,239	7,655,239
Revaluation reserve	177,275,586	-	290,970,873	4,597,809
Foreign currency translation reserve	(704,611)	68,283	(704,611)	7,935
Accumulated profits/(losses)	53,683,285	(43,061,259)	7,890,697	(9,654,572)
Total equity	340,122,912	66,875,676	310,924,509	7,718,722
Non-current liabilities				
Deferred taxation	98,723,165	44,523,979	99,167,606	6,502,550
Loans and borrowings	4,139,831	32,043,637	4,139,831	5,158,584
Trade and other payables	7,803,081	51,582,135	7,803,081	8,304,013
Total non-current liabilities	110,666,077	128,149,751	111,110,518	19,965,147
Current liabilities				
Loans and borrowings	1,050,139	6,211,966	1,050,139	1,000,041
Trade and other payables	31,376,249	51,752,305	26,414,457	7,866,280
Current tax liabilities	1,880,652	-	1,880,652	-
Bank overdraft	-	1,261,828	-	203,137
Total current liabilities	34,307,040	59,226,099	29,345,248	9,069,458
Total equity and liabilities	485,096,029	254,251,526	451,380,275	36,753,327

The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

TURNALL HOLDINGS LIMITED

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Cash Flows

	Inflation Adjusted		*Historical	
	Audited year ended 31.12.2019 ZWL	Audited year ended 31.12.2018 ZWL	Audited year ended 31.12.2019 ZWL	Audited year ended 31.12.2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	99,348,090	76,466,674	21,418,035	5,879,513
Adjustment for:				
Depreciation of property, plant and equipment	11,174,424	10,618,509	1,299,084	1,178,118
Depreciation of investment property	56,229	56,229	6,641	6,640
Amortisation of financial assets	(2,063,160)	(1,195,105)	(17,512)	27,833
Finance costs	1,883,136	5,376,495	561,343	649,743
Impairment of property, plant and equipment	-	78,692	-	18,360
Currency translation differences	(772,894)	63,696	(712,546)	7,402
Profit/(loss) from disposal of property, plant and equipment	(275,926)	490,322	(289,639)	61,068
Non-cash adjustment IAS 29	1,752,399	2,390,211	-	-
Operating cash flow before working capital changes	111,102,298	94,345,723	22,265,406	7,828,677
Movement in working capital				
Decrease/(increase) in trade and other receivables	7,217,259	8,022,370	(10,991,462)	(1,753,253)
Increase in inventories	(12,537,944)	(29,788,288)	(23,903,992)	(3,315,795)
Increase/(decrease) in trade and other payables	(64,155,110)	(40,659,345)	18,047,246	(562,850)
Net cash generated from operating activities	41,626,503	31,920,460	5,417,198	2,196,779
Tax paid	(24,450)	(141,205)	(10,808)	(17,507)
Interest paid	(1,883,136)	(5,376,495)	(561,343)	(649,743)
Net cash flows generated from operating activities	39,718,917	26,402,760	4,845,047	1,529,529
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	346,667	154,917	346,667	19,300
Acquisition of property, plant and equipment	(5,857,676)	(6,861,543)	(2,014,045)	(916,101)
Net cash flows used in investing activities	(5,511,009)	(6,706,626)	(1,667,378)	(896,801)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in loans and borrowings	(33,065,633)	(20,190,522)	(968,655)	(633,247)
Net cash flows used in financing activities	(33,065,633)	(20,190,522)	(968,655)	(633,247)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,142,275	(494,388)	2,209,014	(519)

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Consolidated Statement of Changes in Equity for the year ended 31 December 2019

Inflation Adjusted

	Share capital ZWL	Share premium ZWL	Non-Distributable reserves ZWL	Revaluation reserves ZWL	Foreign currency translation reserve ZWL	Accumulated profits/(losses) ZWL	Total ZWL
Balance at 31 December 2017	42,427,618	1,565,374	65,875,660	-	4,587	(116,850,945)	(6,977,706)
Profit for the year	-	-	-	-	-	73,789,686	73,789,686
Other comprehensive income							
Currency translation differences	-	-	-	-	63,696	-	63,696
Balance at 31 December 2018	42,427,618	1,565,374	65,875,660	-	68,283	(43,061,259)	66,875,676
Profit for the year	-	-	-	-	-	96,744,544	96,744,544
Other comprehensive income							
Revaluation of property, plant and equipment.	-	-	-	177,275,586	-	-	177,275,586
Currency translation differences	-	-	-	-	(772,894)	-	(772,894)
Balance at 31 December 2019	42,427,618	1,565,374	65,875,660	177,275,586	(704,611)	53,683,285	340,122,912

*Historial

	Share capital ZWL	Share premium ZWL	Non-Distributable reserves ZWL	Revaluation reserves ZWL	Foreign currency translation reserve ZWL	Accumulated profits/(losses) ZWL	Total ZWL
Balance at 31 December 2017	4,930,403	181,908	7,655,239	4,607,246	533	(13,500,513)	3,874,816
Profit for the year	-	-	-	-	-	3,836,504	3,836,504
Other comprehensive income							
Transfer of revaluation surplus	-	-	-	(9,437)	-	9,437	-
Currency translation differences	-	-	-	-	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
Profit for the year	-	-	-	-	-	17,545,269	17,545,269
Other comprehensive income							
Revaluation of property, plant and equipment	-	-	-	286,373,064	-	-	286,373,064
Currency translation differences	-	-	-	-	(712,546)	-	(712,546)
Balance at 31 December 2019	4,930,403	181,908	7,655,239	290,970,873	(704,611)	7,890,697	310,924,509

**The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.*

Supplementary Information

1. Basis of preparation

The inflation adjusted consolidated financial results, from which these abridged consolidated financial statements are an extract, have been prepared in accordance with International Financial Reporting Standards (IFRS), except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", and the impact of the caveat on the valuation of Property, Plant and Equipment as explained in note 4. The inflation adjusted consolidated financial results have also been prepared in accordance with the applicable requirements of the Companies Act (Chapter 24.31) and the Zimbabwe Stock Exchange (ZSE) listing rules. The Directors of Turnall Holdings Limited are responsible for the preparation and fair presentation of the Annual Group financial statements, of which this press release represents an extract.

The Group adopted IAS 29 "Financial Reporting in Hyper-Inflationary Economies" effective 1 October 2018 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board (PAAB). The consolidated financial statements have been prepared under the current cost basis as per provisions of IAS 29. The Group used the price indices provided by Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors up to December 2019:

	Index	Conversion factor
CPI as at 31 December 2019	551.6	1.00
CPI as at 31 December 2018	88.8	6.21
CPI as at 31 December 2017	62.7	8.80

Comparability of financial information

Some of the prior year financial information which includes foreign currency transactions and balances may not be comparable to current year financial results given that prior year foreign currency transactions and balances were translated at 1:1 whilst in the current year an exchange rate is applied on date of transaction or a closing rate was used to convert balances.

2. Presentation and functional currency

These inflation adjusted financial results are presented in Zimbabwe Dollars (ZWL) which is the Group's functional and presentati on currency. The Group had been using the United States Dollar (US$) as its functional and reporting currency since 2009.

In 2016 the monetary authorities introduced the Bond note which was at par with the US$. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD as well as other currencies in the multi-currency regime.

On June 24, 2019 the government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that local transactions be done in local currency (ZWL). The Group followed the legal instruments and changed the functional currency on the 22nd of February 2019. The requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework.

This has resulted in the adoption of accounting treatment in the current year's Group's financial statements which is at variance from that which would have been applied if the Group had been able to fully comply with IFRS. The Group adopted the exchange rate of 1:1 between the US$ and ZWL for the period 1 October 2018 to 23 February 2019 and thereafter adopted the interbank exchange rates.

3. Accounting policies and reporting currency

There have been no material changes in the Group's accounting policies since the date of the last consolidated financial statements. The financial statements are presented in ZWL for the current year which is the functional currency of the Group and are rounded to the nearest Dollar (ZWL) unless otherwise indicated. There was a change in the functional and reporting currency following the reintroduction of the local currency where the Group had previously transacted and reported in the United States Dollar (US$).

In the current year, the Group applied a number of new requirements and amendments to IFRSs that were issued by the IASB and became mandatorily effective for accounting periods beginning on or after 1 January 2019. The new standards had no material impact to the consolidated financial statements.

4. Valuation of Property, Plant and Equipment

The Group carried out a valuation of Property, Plant and Equipment as at 31 December 2019. The valuation was carried out by an independent professional valuer. The valuer included a caveat regarding the reliability of land and buildings valuation. The professional valuers concluded that there was insufficient market evidence at present for land and buildings to compute values in the functional and presentation currency and hence they relied on foreign currency inputs translated to ZWL using interbank rate.

The following risks were cited to users of the valuation:

- Overstatement of property values.
- Variations in responses of property subsectors to the new functional currency
- Disregard of market dynamics

The directors and management urge users of the financial statements to exercise due caution.

5. Contingent liabilities

The Group has pending matters relating to former employees, the outcome of which can not be determined with certainity.

6. Borrowings - Inflation adjusted

The Group has total borrowings of ZWL5.2 million (2018: ZWL38.3 million). The average borrowing cost for the year was 12 percent per annum. Borrowings are secured against land and building.

7. Capital commitments and expenditure

	Inflation Adjusted 2019 ZWL	2018 ZWL
Approved capital commitments for future periods	13 342 584	25 461 000
Capital expenditure	5 857 676	6 861 543

8. Approval of financial statements

The underlying consolidated financial statements to the results were approved by the Board on 17 April 2020.

9. Profit before tax

Profit before tax is shown after charging the following items of significance:

	Inflation Adjusted 2019 ZWL	2018 ZWL
Auditor's remuneration	1,954,325	622,734
Director's remuneration	275,798	460,890
Employee benefits expenses	22,451,173	33,414,667
Depreciation expense	11,230,653	10,753,430

10. Events after the reporting date

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. Subsequent to the year end, the infections have spread across the world and many lives have been lost. The World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." Many countries across the world, including Zimbabwe, have responded by implementing mandatory lockdowns in order to combat the spread of the disease.

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, suppliers and employees and government interventions all of which are uncertain and cannot be predicted.

11. Going Concern

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. Until the recent lockdown, the Group had not observed any material impact on the business due to COVID-19.

The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, suppliers and employees and government interventions all of which are uncertain and cannot be predicted.

The inflation adjusted consolidated financial results have been prepared on a going concern basis as the Board believes that the Group will continue in operating existence for the foreseeable future.

Auditor's Statement

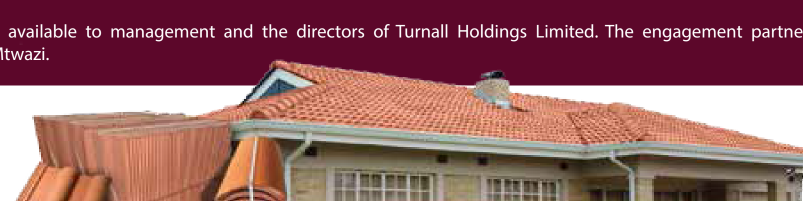
These abridged audited financial results should be read in conjunction with the complete set of consolidated financial statements for the year ended 31 December 2019, which have been audited by Deloitte & Touche and an adverse opinion has been issued thereon. The auditor's report, which has an adverse opinion with respect to;

- the impact of the incorrect date of application of IAS 21 'The Effects of Changes in Foreign Exchange Rates'; and
- the impact of a caveat made by professional valuers regarding the valuation of the Group's property, plant and equipment,

is available for inspection at the Turnall Holdings Limited's registered address.

In addition to the above matters, the auditor's opinion contains a key audit matter relating to valuation of tax liabilities.

The auditor's report has been made available to management and the directors of Turnall Holdings Limited. The engagement partner responsible for the audit was Charity Mtwazi.



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

Report on the audit of the inflation adjusted consolidated financial statements

Adverse Opinion

We have audited the inflation adjusted consolidated financial statements of Turnall Holdings Limited ("the Company") and its subsidiaries (together "the Group"), as set out on pages 11 to 62, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2019, the inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity and inflation adjusted consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated financial statements do not present fairly, the inflation adjusted consolidated financial position of the Group as at 31 December 2019, and its inflation adjusted consolidated financial performance and its inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Adverse Opinion

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

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

- The 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.

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

Report on the audit of the inflation adjusted consolidated financial statements

Basis for Adverse Opinion (continued)

The Directors had not re-assessed the change in functional currency for the year ended 31 December 2018. Because the Group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in material misstatement to the financial performance and cash flows of the Group, as transactions denominated in USD were not appropriately translated during that period. An adverse opinion was issued on the financial statements for the year ended 31 December 2018.

If the assessment required by IAS 21 occurred in the correct period, the adjustments that were recognised in the 2018 and 2019 years would have been materially different.

These misstatements are considered to be material and pervasive in the 2019 financial year.

Furthermore, our opinion in the current year's financial position is modified because of the possible effects of the matter on the comparability of the current year's financial position with that of the prior year.

Impact of Caveat Made by Professional Valuers regarding the valuation of Group's Property, Plant and Equipment

The Groups property, plant and equipment is carried at ZWL 401 099 984 comprising of ZWL 202 258 997 for land and buildings and ZWL 179 840 987 for plant and equipment. These were revalued in line with the Group's policy. As set out in Notes 4.1 and 13.5, the professional valuers included a caveat regarding the reliability of the land and buildings valuation. The basis of the caveat was the impact of Statutory Instrument 142 of 2019 "Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019", which legislated the Zimbabwe dollar as the sole legal tender for the settlement of domestic transactions with effect from 24 June 2019. The valuations rely on historic market evidence for calculation inputs such as transaction process for comparable properties rentals and capitalization rates.

The professional valuers concluded that there was insufficient market evidence at present for land and buildings to compute values in the functional and presentation currency and hence they relied on foreign currency inputs translated to ZWL using the interbank rate. The following risks were cited to users of the revaluation;

- Overstatement of property values;
- Variations in responses of property sub-sectors to the new functional currency; and
- Disregard of market dynamics.

As a result of this matter, we were unable to obtain sufficient audit evidence about the fair value of the immovable assets due to lack of market evidence to support the inputs used. Furthermore we were unable to determine whether any adjustments might have been found necessary in respect of recorded land and buildings values and the proportionate elements making up the inflation adjusted statement of comprehensive income and inflation adjusted statement of changes in equity.

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 inflation adjusted Financial Statements section of our report. We are independent of the Bank 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 the inflation adjusted 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.

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

Report on the audit of the inflation adjusted consolidated financial statements

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted 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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of tax liabilities</td></tr>
<tr><td>As reflected in Note 21, the Group and Company's trade and other payables included amounts due to the Zimbabwe Revenue Authority (ZIMRA) of ZWL5.7million.

The Group was 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.

During 2018, the Group submitted a tax amnesty application made in respect of the tax amnesty legislated in the Finance Act No. 1 of 2018 that was published on 15 March 2018. This application was granted during 2019 resulting in an adjustment to the interests and penalties as per the original payment plan.

The directors have applied their judgement to the following:

• Terms of the extended plan in as far as the settlement of current obligations clause is concerned; and

• Timing of collection of some elements of interest charges levied by the tax authorities.

Given that there are specific terms around the payment plan, the Directors have accounted for this in accordance with the provisions of International Financial Reporting Interpretation Committee (IFRIC) interpretations 23, based on the most likely treatment by the tax authorities (refer note 4.9).

Given the above background, we considered the valuation, obligation and disclosure for the tax liabilities to be a key audit matter.</td><td>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;

• Assessed and challenged the key judgements made around the terms of the payment plan as well as timing of collection of interest by the tax authorities;

• Obtained written representation around key judgments made by the directors; and

• We inspected the financial statements for appropriate disclosures.</td></tr>
</table>

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

Report on the audit of the inflation adjusted consolidated financial statements

Information Other Than The Inflation Adjusted Consolidated Financial Statements And Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the 'Corporate information', 'Directors' responsibility for financial reporting', historic cost information and 'Company statements', 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 inflation adjusted consolidated financial statements and our auditor's report.

Our opinion on the inflation adjusted 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 inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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. Given the nature of the matters set out in the Basis for Adverse Opinion section above, 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 misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities Of The Directors For The Inflation Adjusted Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated 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's financial reporting processes.

Auditor's Responsibilities For The Audit of The Inflation Adjusted Financial Statements

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

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

Report on the audit of the inflation adjusted consolidated financial statements

Auditor's Responsibilities For The Audit of The Inflation Adjusted Financial Statements (continued)

- 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 inflation adjusted consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

Per Charity Mtwazi
(PAAB Practice Certificate 0585)

Date: 21 April 2020