GBHOLDINGS LIMITED

ABRIDGED AUDITED FINANCIAL RESULTS

for the year ended 31 December 2019

CHAIRMAN'S STATEMENT

Introduction

The results for the financial year ended 31 December 2019 are presented to you on the back of multiple statutory provisions promulgated during 2019 which had a profound effect on the company's performance.

According to the 2019 Zimstats report, the year on year inflation as at December 2019 was recorded at 540 % despite the various macroeconomic interventions which among others included the change of the functional currency from United States dollars to RTGS Dollars on 22 February 2019. In addition, statutory instrument 142 of 2019 removed the use of the multicurrency system for legal tender purposes and simultaneously replaced it with the use of the Zimbabwe Dollar in June 2019.

The complex operating environment was further constrained by unrelenting power outages, a worsening foreign currency shortage and surging inflation which inadvertently eroded purchasing power. As a result, downstream demand for the company's products was negatively affected as entities remodelled their businesses to suit the new operating models. The company responded to the challenges by a strict surveillance on costs and competitive pricing in its effort to continuously deliver a commensurate value proposition to its customers.

Company performance

Total volumes declined by 36 % at 636 tonnes when compared with prior year same period volumes of 995 metric tonnes due to reduced activity in the first quarter of 2019 as the business remodelled in the wake of multiple statutory promulgations. Both chemicals and rubber divisions reported reduced volumes when compared with prior year due to depressed downstream demand although there were significant recoveries in the later part of the year at the rubber division.

On an inflation adjusted basis turnover at ZWL 49 million was a 40% increase compared to prior year's same period ZWL 35 million due to improved internal efficiencies, a favourable product mix at the Chemicals Division and benefits from technical partnerships. Continued monitoring of pricing models in relation to cost volatility enabled the company to gain more ground in the mining sector while at the same time consolidated its market position in the Chemicals division.

As a result, operating profit at ZWL 17 million increased by 70% on an inflation adjusted basis compared to prior year's ZWL 9.7 million as the company benefited from its cost rationalisation processes implemented in its turnaround strategy. Due to improved liquidity in the company, finance costs at ZWL 395 000 were contained at 22 % of prior year's ZWL 1,754 million on an inflation adjusted basis.

Divisional performance

General Beltings

Volumes at the rubber division declined by 34 % to 169 metric tonnes compared with the 257 metric tonnes recorded in the same period prior year due to shortages of foreign currency and reduced downstream demand. Despite the volumes decline, the division improved its processes and compared favourably with its regional competitors in terms of pricing and factory turnaround time.

The division recorded improved offtake from the platinum and gold sectors while declines were recorded in the energy and cement sectors. The turnover at ZWL 22.4 million on an inflation adjusted basis was a 149% increase on prior year's ZWL 9 million.

Cernol Chemicals

Cernol Chemicals volumes at 467 metric tonnes were 11 % lower than prior year's same period volume of 526 metric tonnes due to the persistent shortages of foreign currency. However, a favourable product mix and pricing opportunities buoyed its turnover to ZWL 27 million representing a 132% increase on prior year's ZWL 11.6 million on an inflation adjusted basis.

Outlook

The expected surge in the inflationary trends will challenge the manufacturing sector in 2020 due to persistent shortages of foreign currency in the absence of significant external inflows into the economy. The liberalisation in the management of the available foreign currency is expected to enhance a more efficient allocation mechanism which would assist the company to procure raw materials more competitively. The mining sector which the company serves is expected to grow on the basis of expected improved commodity prices and deliberate support strategies by Government aimed at generating foreign currency and employment. The rubber division expects to grow its market share on the basis of price competitiveness and back up service.

The advent of the COVID-19 pandemic and its devastating effects has reignited debate on personal hygiene issues at the Global and country level. It is expected that new measures will be taken to improve institutional hygiene which would create opportunities for the Chemicals Division. Overall the business will continue to benefit from the divisional synergies through skills retention and funding models.

Dividend

At their meeting on 26 March 2020, the Board considered the envisaged additional working capital requirements and resolved not to declare a dividend.

Appreciation

The events of the past year would have not been contained were it not for the support of employees, all stakeholders and management whose resilience kept the company afloat. I thank my fellow Directors for their wise counsel and look forward to their continued support.

G. G. NHEMACHENA
Chairman
5 June 2020

AUDITORS' STATEMENT

The condensed audited inflation adjusted financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2019, which have been audited by BDO Zimbabwe Chartered Accountants. An adverse opinion has been issued thereon in respect of non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" as it relates to the opening balances that were translated from USD functional currency to ZWL as guided by SI.33 of 2019. In addition, a material uncertainity pertaining to going concern has been included. The audit report also includes key audit matters. The key audit matters were on impairment assessment of plant and equipment and valuation of trade and other receivables. The auditor's report on these inflation adjusted financial statements is available for inspection at the Company's registered office. The engagement partner for the engagement is Mr Martin Makaya (PAAB Practicing Number 03473)

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the Company's full year abridged financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's full year abridged financial statements fairly present the state of affairs of the Company as at the end of the year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
Revenue	**48,811,402**	**34,663,340**	**21,011,593**	**4,742,341**
Cost of sales	(19,682,766)	(12,584,408)	(9,410,870)	(3,374,576)
Gross profit	**29,128,636**	**22,078,932**	**11,600,723**	**1,367,765**
Other income	181,440	262,891	102,028	34,036
Operating expenses	(12,276,454)	(12,640,902)	(5,293,901)	(1,724,593)
Profit/ (loss) from operations	**17,033,622**	**9,700,921**	**6,408,850**	**(322,792)**
Finance charges	(394,701)	(1,754,190)	(133,642)	(242,569)
Profit/ (loss) before tax and monetary gain	**16,638,921**	**7,946,731**	**6,275,208**	**(565,361)**
Monetary gain/loss	49,222,503	2,298,739	-	-
Profit/ (loss) before tax after monetary gain	**65,861,424**	**10,445,470**	**6,275,208**	**(565,361)**
Income tax (expense)/ credit	(8,192,121)	134,502	(1,807,620)	(147,698)
Profit/(loss) for the year	**57,669,303**	**10,579,972**	**4,467,588**	**(713,059)**
Other comprehensive income	-	-	-	-
Total comprehensive income (loss) for the year	**57,669,303**	**10,579,972**	**4,467,588**	**(713,059)**
Number of shares in issue	536,588,624	536,588,624	536,588,624	536,588,624
Basic profit/ (loss) per share (cents)	0.10747	0.01972	0.00833	(0.00133)
Diluted loss per share (cents)	0.10621	0.01948	0.00823	(0.00131)
Headline loss per share (cents)	0.10747	0.01931	0.00832	(0.00139)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment	60,594,362	62,209,048	6,971,551	7,110,030
Current assets				
Inventories	9,415,288	8,266,530	7,006,537	1,659,550
Trade and other receivables	4,620,611	4,309,160	4,620,611	692,231
Bank and cash balances	1,858,266	980,578	1,858,266	157,860
	15,894,165	13,556,268	13,485,414	2,509,641
Total assets	**76,488,527**	**75,765,316**	**20,456,965**	**9,619,671**
EQUITY AND LIABILITIES				
Equity				
Share capital	3,968,127	3,968,127	536,588	536,588
Share options reserve	141,986	141,986	19,200	19,200
Foreign currency translation reserve	(712,820)	-	(712,820)	-
Retained earnings/loss	**40,598,187**	**(17,071,116)**	**27,717**	**(4,439,871)**
	43,995,480	**(12,961,003)**	**(129,315)**	**(3,884,083**
Non-current liabilities				
Deferred tax	13,254,278	5,508,346	1,569,987	208,556
Long term portion of borrowings	-	2,579,469	-	415,283
Deferred revenue	255,868	259,903	33,392	35,150
	13,510,146	**8,347,718**	**1,603,379**	**658,989**
Current liabilities				
Borrowings	764,901	5,251,846	764,901	845,524
Trade and other payables	17,763,151	74,965,933	17,763,151	11,973,348
Bank overdraft	8,660	160,822	8,660	25,893
Corporate tax payable	446,189	-	446,189	-
	18,982,901	80,378,601	18,982,901	12,844,765
Total liabilities	**32,493,047**	**88,726,319**	**20,586,280**	**13,503,754**
Total equity and liabilities	**76,488,527**	**75,765,316**	**20,456,965**	**9,619,671**

STATEMENT OF CHANGES IN EQUITY

	Share capital ZWL	Share options reserve ZWL	Foreign currency translation reserve ZWL	Accumulated profit/(loss) ZWL	Total ZWL
INFLATION ADJUSTED					
Balance at 1 January 2018	**3,968,127**	**141,986**	**-**	**(27,651,088)**	**(23,540,975)**
Total comprehensive income	-	-	-	10,579,972	10,579,972
Balance at 31 December 2018	**3,968,127**	**141,986**	**-**	**(17,071,116)**	**(12,961,003)**
Foreign currency translation reserve	-	-	(712,820)	-	(712,820)
Total comprehensive income	-	-	-	57,669,303	57,669,303
Balance at 31 December 2019	**3,968,127**	**141,986**	**(712,820)**	**40,598,187**	**43,995,480**
HISTORICAL COST					
Balance at 1 January 2018	**536,588**	**19,200**	**-**	**(3,726,812)**	**(3,171,024)**
Total comprehensive loss for the year	-	-	-	(713,059)	(713,059)
Balance at 31 December 2018	**536,588**	**19,200**	**-**	**(4,439,871)**	**(3,884,083)**
Foreign currency translation reserve	-	-	(712,820)	-	(712,820)
Total comprehensive profit for the year	-	-	-	4,467,588	4,467,588
Balance at 31 December 2019	**536,588**	**19,200**	**(712,820)**	**27,717**	**(129,315)**

STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax before monetary gain	16,638,921	7,946,731	6,275,208	(565,361)
Adjusted for:				
Depreciation of property, plant and equipment	1,856,670	1,980,622	287,689	292,075
Interest expense	394,701	1,754,190	133,642	242,569
Profit on disposal of vehicles	-	(148,360)	-	(20,065)
Unrealised exchange gains	(712,820)	-	(712,820)	-
Deferred revenue	(4,035)	(13,679)	(1,758)	(1,850)
Monetary gain/loss				
Effect of other non cash items	49,222,523	(11,104,779)	-	-
Operating (cash outflows) / cash inflows before working capital changes	**67,395,960**	**414,725**	**5,981,961**	**(52,632)**
Changes in working capital				
(Increase)/Decrease in inventories	(1,148,758)	702,384	(5,346,987)	(446,733)
(Increase)/decrease in trade and other receivables	(311,451)	4,274,996	(3,928,380)	468,557
Increase in trade and other payables	(57,202,782)	(12,953,368)	5,789,803	84,503
Net cash generated from (utilised in) operating activities	**8,732,969**	**(7,561,263)**	**2,496,397**	**53,696**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of vehicles	-	148,360	-	20,065
Purchase of equipment	(241,984)	(222,133)	(149,209)	(37,746)
Net cash utilised in investing activities	**(241,984)**	**(73,773)**	**(149,209)**	**(17,681)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(394,701)	(1,754,190)	(133,129)	(242,569)
Loans raised	-	12,334,663	-	1,668,176
Loans paid	(7,066,414)	(3,954,685)	(496,420)	(1,577,011)
Net cash (utilised in)/generated from financing activities	**(7,461,115)**	**6,625,788**	**(629,549)**	**(151,404)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,029,870**	**(1,009,248)**	**1,717,639**	**(115,390)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**819,736**	**1,828,984**	**131,967**	**247,357**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,849,606**	**819,736**	**1,849,606**	**131,967**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

1. **Accounting policies**
The principal accounting policies adopted in the preparation of these abridged financial statements have been consistently applied to all the years presented.

2 **Nature of business**
The main business of the company, which is incorporated in Zimbabwe (Registration Number 510/68), is that of producing rubber and chemical products.

3. **Functional and presentation currency**
The Company has in previous financial periods assessed and concluded that the United States Dollar (US$) had been its functional and presentation currency. For the 2019 financial period, the Board of Directors assessed and concluded that the Zimbabwe dollar (ZWL) is the functional and presentation currency of the company.

4. **Accounting policies**
These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

5. **Statement of compliance**
The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board IASB) and the International Financial Reporting Interpretations Committee (IFRIC) except for the non compliance with IAS21, and in the manner required by the Companies Act (Chapter 23:03) and the Zimbabwe Stock Exchange regulations.

6. **Basis of preparation**
The condensed financial statements are presented in ZWL. They have been prepared under the inflation adjusted acounting basis in line with the provisions of International Accounting Standard (IAS) 29-Financial Reporting in Hyper inflationery economies. The directors have also applied the guidelines provided by the Public Accounting and Auditors Board (PAAB).

Inflation adjusted financial statement have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) and prepared by the Zimbabwe Central Statistical Offic. The indices and conversion factors used are as follows:

Month	CPI	Conversion Factor
January 2019	98.35	5.61
February 2019	100.00	5.52
March 2019	104.38	5.28
April 2019	110.14	5.01
May 2019	123.95	4.45
June 2019	172.61	3.20
July 2019	208.92	2.64
August 2019	246.68	2.24
September 2019	290.39	1.90
October 2019	402.92	1.37
November 2019	473.28	1.17
December 2019	551.63	1.00

	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
7 INVENTORIES				
Raw materials	7,309,056	4,624,686	2,021,612	638,573
Finished goods	2,061,205	3,504,337	1,862,170	828,346
Consumables	44,905	59,232	172,576	164,494
Work-in-progress	122	78,275	2,950,179	28,137
	9,415,288	**8,266,530**	**7,006,537**	**1,659,550**
8 TRADE AND OTHER RECEIVABLES				
Trade receivables	4,683,873	3,885,504	4,683,873	624,174
Less: Allowance for credit losses	(456,171)	(1,770,050)	(456,171)	(284,344)
Trade receivables-net	**4,227,702**	**2,115,454**	**4,227,702**	**339,830**
Other receivables	392,909	2,193,706	392,909	352,401
Less: Allowance for credit losses	-	-	-	
Financial assets other than cash and cash equivalents classified as loans and receivables	**4,620,611**	**4,309,160**	**4,620,611**	**692,231**

The carrying value of trade and other receivables at amortised cost approximates fair value.

9. BORROWINGS	**2019**	**2018**	**2019**	**2018**
CABS	762,912	5,251,847	762,912	845,524
Other borrowings	1,989	-	1,989	-
FBC Bank	-	2,579,468	-	415,283
	764,901	7,831,315	764,901	1,260,807
Less: Short term portion of borrowings	764,901	(5,251,846)	764,901	(845,524)
Long term portion of borrowings	**-**	**2,579,469**	**-**	**415,283**

	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
10 TRADE AND OTHER PAYABLES				
Trade	4,150,922	9,084,683	4,150,922	1,450,980
Other payables	8,999,976	37,084,792	8,999,976	5,923,079
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**13,150,898**	**46,169,475**	**13,150,898**	**7,374,059**
Other payables-VAT, PAYE and social security payables	4,612,253	28,796,458	4,612,253	4,599,289
Total trade and other payables	**17,763,151**	**74,965,933**	**17,763,151**	**11,973,348**
11 INCOME TAX CREDIT /(EXPENSE)				
Current tax	446,189	-	446,189	-
Deferred tax	7,745,932	(134,502)	1,361,431	147,698
	8,192,121	**(134,502)**	**1,807,620**	**147,698**
12 PROFIT / (LOSS) PER SHARE (LPS)				
Profit/ (loss) from continuing operations attributable to equity holders of the company	57,669,303	10,579,972	4,467,588	(713,059)
Number of shares used in calculating profit/(loss) per share				
Weighted average number of shares used in basic EPS	536,588,624	536,588,624	536,588,624	536,588,624
Effect of employee share options	6,400,000	6,400,000	6,400,000	6,400,000
Weighted average number of shares used in diluted EPS	542,988,624	542,988,624	542,988,624	542,988,624

Basic profit/ (loss) per share
Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the average number of ordinary shares in issue during the year.

Headline loss per share
Headline loss per share is calculated by dividing the headline loss for the year attributable to ordinary equity holders of the parent company by the weighted average number of shares in issue during the year.

Headline profit/ (loss) is calculated as follows:-

	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
Profit/(loss) for the year attributable to ordinary holders of the company	57,669,303	10,579,972	4,467,588	(713,059)
Profit on disposal of vehicles	-	(148,360)	-	(20,065)
Differed revenue realised	(4,035)	(13,679)	(1,758)	(1,850)
Decrease in allowance for credit losses	-	(57,320)	-	(9,208)
Headline profit/ (loss)	57,665,268	10,360,613	4,465,830	(744,182)

13. **Cyclicality of operations**
A significant portion of the Company's revenue is derived from the sale of rubber and chemical products. Due to the nature of the Company's income, there is no defined pattern of cyclicality or seasonality of operations and profitabilty.

14. Supplementary information		
14.1 Depreciation	287,688	292,075
14.2 Capital commitments		
Approved but not contracted	-	69,246
Approved and contracted	-	37,746

15. BUSINESS SEGMENT INFORMATION

	INFLATION ADJUSTED CHEMICALS ZWL	RUBBER ZWL	COMPANY ZWL	HISTORICAL COST CHEMICALS ZWL	RUBBER ZWL	COMPANY ZWL
2019						
Revenue	26,993,982	21,817,420	48,811,402	11,619,961	9,391,632	21,011,593
Inter-segmental revenue	-	-	-	-	-	-
Revenue from external customers	**26,993,982**	**21,817,420**	**48,811,402**	**11,619,961**	**9,391,632**	**21,011,593**
Depreciation charge	(617,993)	(1,238,677)	(1,856,670)	(95,757)	(191,931)	(287,688
Segment profit / (loss)	11,632,559	5,401,063	17,033,622	4,376,716	1,660,434	6,408,850
Finance expense	-	-	(394,701)	(69,147)	(64,495)	(133,642)
Company loss before tax	**-**	**-**	**16,638,921**	**-**	**-**	**6,275,208**
2018						
Revenue	17,721,039	16,942,300	34,663,340	2,424,441	2,317,900	4,742,341
Inter-segmental revenue	-	-	-	-	-	-
Revenue from external customers	**17,721,040**	**16,942,300**	**34,663,340**	**2,424,441**	**2,317,900**	**4,742,341**
Depreciation charge	(675,197)	(1,305,425)	(1,980,622)	(99,569)	(192,506)	(292,075
Segment (loss) / profit	(1,228,551)	10,929,472	9,700,921	40,879	(363,671)	(322,792)
Finance expense	(735,993)	(1,018,196)	(1,754,190)	(101,773)	(140,796)	(242,569
Company loss before tax	**-**	**-**	**7,946,731**	**-**	**-**	**(565,361)**
2019						
Additions to non-current assets	229,373	12,611	241,984	141,501	7,708	149,209
Reportable segment assets	32,125,181	43,598,460	75,723,642	8,591,925	11,837,477	20,429,402
Corporate head office assets	-	-	764,885	-	-	27,563
Total company assets	**-**	**-**	**76,488,527**	**-**	**-**	**20,456,965**
2019						
Reportable segment liabilities	2,646,878	10,971,275	13,618,153	2,646,878	10,971,275	13,618,153
Borrowings	-	1,989	1,989	1,989	1,989	764,901
Corporate liabilities						
Liabilities	-	-	4,580,150	-	-	4,633,239
Borrowings	-	-	762,912	-	-	762,912
Deferred tax liabilities	-	-	13,529,843	-	-	1,569,987
Total company liabilities	**2,646,878**	**10,973,264**	**32,493,047**	**2,646,878**	**10,973,264**	**20,586,280**
2018						
Additions to non-current assets	176,772	45,361	222,133	30,038	7,708	37,746
Reportable segment assets	31,989,192	43,701,940	75,691,132	4,057,585	5,552,667	9,610,252
Corporate head office assets	-	-	74,184	-	-	9,419
Total company assets	**-**	**-**	**75,765,316**	**-**	**-**	**9,619,671**
Reportable segment liabilities	8,856,504	66,109,429	74,965,933	914,497	6,826,272	7,740,770
Borrowings	621,132	1,958,337	2,579,469	100,000	315,285	415,285
Corporate liabilities						
Liabilities	-	-	420,725	-	-	4,293,621
Borrowings	-	-	5,251,846	-	-	845,522
Deferred tax liabilities	-	-	5,508,346	-	-	208,556
Total company liabilities	**9,977,636**	**68,067,766**	**88,726,319**	**1,014,497**	**7,141,557**	**13,503,754**

BDO

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF

GB HOLDINGS LIMITED

Adverse Opinion

We have audited the financial statements of **GB HOLDINGS LIMITED** set out on pages 8 to 35, which comprise the statement of financial position as at 31 December 2019, statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, in all material respects, the financial position of **GB HOLDINGS LIMITED** as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Adverse Opinion

Non-compliance with IAS 21 The Effects of Changes in Foreign Exchange Rates

During the period prior to 22 February 2019, the Zimbabwean economy was characterised by a multi-tiered pricing model. Under the model, a single product had different prices depending on the mode of payment, whether United States Dollar cash, electronic money (RTGS), mobile money or bond notes. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21, The Effects of Changes in Foreign Exchange Rates, would apply. Market wide, entities experienced premiums and discounts on the official foreign exchange rate of 1:1 between the RTGS balances and Bond notes and the United States Dollar.

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019 (S.I 33) "Presidential Powers (Temporary Measures) Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollar) Regulations, 2019", which, for accounting and other purposes, prescribed parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribed the manner in which US dollar balances as at 22 February 2019 were to migrate to the Zimbabwe dollar which was contrary to the requirements of IAS 21. The presentation in USD of financial statements at a rate of exchange 1:1 to the local currency resulted in material misstatement of the comparative financial statements.

These financial statements, which are expressed in Zimbabwean dollars, have been prepared using the official exchange rate of 1:1 for the period up to 22 February 2019. Transition of US dollar balances to Zimbabwe dollar balances on 22 February 2019 at 1:1 with exception of foreign currency denominated balances is contrary to the requirements of IAS 21 which requires the use of the closing rate in translating all balances on change in functional currency.

The directors have determined that it is not practically possible to comply with the requirements of IAS 21 in the circumstances. The effect of the noncompliance with IAS 21 has not been quantified but it is considered significant for these financial statements.

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 company in accordance with the International Ethics Standards

Board for Accountants Code of Ethics for Professional Accountants (Parts A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to note 26 to the financial statements which indicates that the company's current liabilities exceeded its current assets by ZWL3,088,737 (2018: ZWL66,822,333). This condition indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue operating as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
(i) Impairment of plant and equipment The carrying amount of plant and equipment is material to the financial statements of the company. The directors identified the following potential indicators of impairment of plant and equipment: • Low capacity utilization resulting in recurring losses. • Aged equipment which results in regular breakdowns. In assessing impairment, the directors used a number of significant assumptions in calculating the value in use which include: • Projections of future performance by the company and the related cash flows. • Determining a discount rate to use on discounting the projected cash flows to the present value. The above factors resulted in the issue being a key audit matter during the audit.	Our procedures included the following: • Inspecting the physical condition of the plant and equipment. • Assessing the reasonableness of the significant assumptions used in coming up with the projected cash flows. • Testing the reasonableness of the discount rate used by reference to what has been determined by entities with similar operations and the company's borrowing rate. • Testing the arithmetic accuracy of the calculations.
(ii) Valuation of trade receivables The trade receivables balance is material to the financial statements of the company. Due to the general decline in business levels in the economy, most of the debtors are facing liquidity challenges and are struggling to pay. The company applies IFRS 9 which is a forward looking, expected credit loss ("ECL") impairment model. We considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the financial statements of the company. The key areas of judgement were; • Assumptions used in the ECL modelling such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors. • Assumptions on the grouping of debtors into	• We obtained an understanding of management's assessment of impairment of accounts receivables including the IFRS 9 implementation process, company's impairment allowance policy and ECL modelling methodology and compared it with the requirements of IFRS 9. • We tested risk rating and grouping of debtors and the expected credit losses determined by management. • We checked the completeness and accuracy of data underlying the ECL calculation as of December 31, 2019 • We assessed the transition adjustments and considered the completeness of data and appropriateness of assumptions used by management at the initial adoption of IFRS 9.

categories and the risk rating allocated to that group of debtors.	• We assessed the disclosures included by management in the financial statements

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue operating 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 company 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 company's ability to continue operating 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03).

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

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BDO Zimbabwe Chartered Accountants
3 Baines Avenue,
Harare

Martin Makaya (CA) Z
Registered Public Auditor
Partner

5 June 2020