asimba HOLDINGS LIMITED

REVIEWED FINANCIAL RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2020

Financial Highlights
For the Half Year Ended 30 June 2020

		Inflation Adjusted	
	Change	30 June 2020 Reviewed ZWL	30 June 2019 Unaudited ZWL
Revenue	**108%**	666,130,525	320,682,914
EBT	**40%**	176,304,613	126,007,389
EBITDFVA	**312%**	351,686,421	85,393,209
EBITDFVA/Turnover	**98%**	53%	27%
Basic Earnings Per Share (cents)	**-1%**	50.65	51.41
Diluted Earnings Per Share (cents)	**-1%**	50.65	50.92
Headline Earnings Per Share (cents)	**-54%**	12.00	26.22

CHAIRMAN'S STATEMENT

INTRODUCTION
I am pleased to present my report for the half year ended 30 June 2020. My commentary on the financial performance is based on the inflation adjusted consolidated financial statements, being the primary set of financial statements as defined by International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies.

OPERATING ENVIRONMENT
The Group's results have been realised under difficult operating conditions as characterised by the continued hyperinflationary pressures and persistent foreign currency shortages. Notwithstanding these difficulties, the Group, however, put in place strategies that enabled it to penetrate and retain markets.

On 17 March 2020, His Excellency, the President of Zimbabwe Emmerson Mnangagwa, declared the COVID-19 pandemic a National Disaster and ordered a full lockdown effective 30 March 2020, which was then subsequently reviewed to Level 2 on 4 May 2020. The lockdown resulted in limited access and suspended works at some projects, except for two that the Authorities sanctioned to continue operating under controlled Safety, Health, Environment & Quality conditions and World Health Organisation Covid-19 guidelines.

FINANCIAL PERFORMANCE
Revenue volumes at ZWL666,130,525 (2019: ZWL320,682,914) were ahead of comparable period by 108%, mainly driven by the roads and civils projects. The increase in operating profit to ZWL404,704,273 (2019: ZWL126,802,626) was attributable to production efficiencies and fair value adjustments of investment properties. Non-current assets grew to ZWL1,010,067,903 (2019: ZWL645,141,261), largely driven by a Directors' revaluation of property, plant and equipment that was performed at the reporting date. The revaluation resulted in a surplus and fair value adjustment of ZWL195,259,214 and ZWL93,397,843, respectively.

Cash generated by operations improved to ZWL127,553,422, largely due to growth in business and improved profitability. The cash generated from operations and financing activities was in the main deployed to capital expenditure in line with the Board's value preservation strategy. Despite the inflationary headwinds, the business has adequate liquidity to meet its normal working capital requirements.

OCCUPATIONAL HEALTH & SAFETY ASSESSMENT SYSTEMS (OHSAS)
The Group continues to place significant importance to its Zero Harm strategy. In the period under review it was able to maintain all its certifications, namely International Organisation for Standardisation (ISO) 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System. Lost Time Injury Frequency Rate improved to zero compared to June 2019 at 1.24.

CORPORATE SOCIAL RESPONSIBILITY
The Group endeavours to improve the welfare of the communities in which it works in and to that end, as a minimum guideline, all general workers are employed from the local communities where projects are executed. In addition to this, in order to alleviate the suffering of the vulnerable during the COVID-19 lockdown, the Group donated 90 tonnes of mealie-meal and 9,000 litres of diesel to the Manicaland, Midlands and Matabeleland provinces. The Group also constructed a 100-metre surfaced access road leading to the Chimanimani hospital. In March 2020, the Group donated a tractor to the Nyakomba Irrigation community to mark the successful completion of the construction of the Nyakomba Irrigation Infrastructure. The total amount that the Group applied to its various Corporate Social Investments in the first half of 2020 amounted to ZWL2,354,000.

OUTLOOK
As of the beginning of July 2020, the country began to experience a spike in COVID-19 cases. Of concern was the increase of local transmissions. The Group has put in place a Business Continuity Plan to ensure that the identified risks are mitigated.

The Group has a solid order book the execution of which, in the medium term, is dependent on the impact of the COVID-19 pandemic on its operations and business partners. Focus will continue on value preservation strategies as guided by its value, growth and governance pillars.

DIVIDEND
The Board, having evaluated the cashflows associated with the growing order book, the potential negative impact of the COVID-19 pandemic and guided by the Group's value and growth, has resolved not to declare an interim dividend.

APPRECIATION
On behalf of the Board, I extend my appreciation to our valued customers, suppliers and other stakeholders for their continued support. We applaud the executives and staff for attaining these financial results in a difficult environment. Finally, I thank my colleagues on the Board for their invaluable contributions.

For and on behalf of the Board

G Sebborn
3 September 2020

Auditor's report
These abridged interim consolidated financial statements for the six months ended 30 June 2020 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon. This review conclusion is adverse with respect to non-compliance with IAS 21: The Effects of Changes in Foreign Exchange Rates, IAS 29: Financial Reporting in Hyperinflationary Economies and the Fair Value Determination of Assets, Transactions and Liabilities. There is an emphasis of matter paragraph regarding the possible impact of the uncertainties relating to the COVID-19 pandemic to the Group. The review conclusion has been made available to management and those charged with the governance of the Group. The Independent Review Report on the consolidated interim financial statements is available for inspection at the registered office of the Group.

The engagement partner responsible for this review is Mr. Farai Chibisa. (PAAB Number 0547).

Abridged Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 30 June 2020

		Inflation Adjusted	
	Notes	30 June 2020 Reviewed ZWL	30 June 2019 Unaudited ZWL
Revenue		**666,130,525**	**320,682,914**
Profit before depreciation and fair value adjustments		351,686,421	85,393,209
Fair value adjustment		93,397,843	57,971,722
Depreciation		(40,379,991)	(16,562,305)
Operating profit		**404,704,273**	**126,802,626**
Net interest paid		(1,559,317)	(795,237)
Net monetary loss		(226,840,343)	-
Profit before tax		**176,304,613**	**126,007,389**
Tax	4.1	(53,914,357)	(6,122,882)
Profit for the period		**122,390,256**	**119,884,507**
Other comprehensive income:			
Gain on revaluation of property, plant and equipment		195,259,214	179,464,266
Movement in available for sale investments		91,385,592	22,624,870
Deferred tax charge on other comprehensive income		(49,240,511)	(46,438,305)
Other comprehensive income for the period, net of tax		237,404,295	155,650,832
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**359,794,551**	**275,535,339**

Abridged Consolidated Statement of Financial Position
As at 30 June 2020

		Inflation Adjusted	
	Notes	30 June 2020 Reviewed ZWL	31 Dec 2019 Unaudited ZWL
ASSETS			
Property, plant and equipment	4.2	641,961,528	442,451,689
Investment property	4.3	264,765,451	171,367,608
Investments	4.4	103,340,924	31,321,964
		1,010,067,903	**645,141,261**
Current assets			
Cash and cash equivalents		120,728,025	30,982,916
Contracts in progress and accounts receivable	4.5	353,711,979	451,781,602
Inventories		40,752,945	75,162,374
		515,192,949	**557,926,892**
Total assets		**1,525,260,852**	**1,203,068,153**
EQUITY AND LIABILITIES			
Share capital		38,175,761	38,175,761
Share premium		14,369,668	14,369,668
Reserves		711,143,632	473,739,337
Retained earnings		275,185,438	152,795,182
		1,038,874,499	**679,079,948**
Non-current liabilities			
Interest bearing borrowings	4.6	2,568,214	6,022,068
Finance lease	4.7	2,259,434	656,090
Deferred tax		236,008,084	144,495,370
		240,835,732	**151,173,528**
Current liabilities			
Interest bearing borrowings	4.6	13,154,564	5,195,650
Finance lease	4.7	1,149,734	477,420
Accounts payable	4.8	231,246,323	367,141,607
Total current liabilities		**245,550,621**	**372,814,677**
Total equity and liabilities		**1,525,260,852**	**1,203,068,153**

Abridged Consolidated Statement of Cash Flows
For the Half Year Ended 30 June 2020

	Inflation Adjusted	
	30 June 2020 Reviewed ZWL	30 Dec 2019 Unaudited ZWL
Net cash flow generated by operating activities	127,553,422	77,615,352
Net cash flow utilised by investing activities	(44,589,031)	(68,315,593)
Net cash flow generated from financing activities	6,780,718	11,756,606
Increase in cash and cash equivalents	**89,745,109**	**21,056,365**

Abridged Consolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2020

	Inflation Adjusted	
	30 June 2020 Reviewed ZWL	31 Dec 2019 Unaudited ZWL
Shareholders' equity at the beginning of the period	679,079,948	102,795,573
Other comprehensive income for the period	237,404,295	538,938,159
Issue of shares	-	3,053,714
Profit for the period	122,390,256	34,292,502
Shareholders' equity at the end of the period	**1,038,874,499**	**679,079,948**

Summary of Information

1 Basis of Presentation
The abridged consolidated financial statements were prepared in accordance with the minimum requirements of IAS 34: Interim Financial Reporting and the Zimbabwe Stock Exchange listing rules.

Significant Accounting Policies
The abridged consolidated financial statements for the six months ended 30 June 2020 have been prepared using the accounting policies consistent with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). The same accounting policies, presentation and methods followed in the abridged consolidated financial statements are as applied in the Group's latest annual financial statements.

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

2.1 Inflation Adjustment
These results have been prepared under the current cost basis in line with the provisions of IAS 29: Financial Reporting in Hyperinflationary Economies. The Public Accountants and Auditors Board (PAAB) pronounced that the economy is trading under conditions of hyperinflation in line with IAS 29 (Pronouncement effective 01/2019). The Directors have applied the guidelines provided by the PAAB and made various assumptions to produce the inflation adjusted financials.

The Group adopted the Zimbabwe Consumer Price Index (CPI) as a general price index to restate transactions and balances as appropriate. Non-monetary assets and liabilities have been restated to reflect the changes in the general price index. Monetary assets and liabilities and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit prevailing at the end of the reporting period. Items recognised in the statement of comprehensive income have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred.

The conversion factors used to restate the Group's financial results are as follows:

Date	Indices	Conversion Factor
30 June 2020	1445.21	1.00
31 December 2019	551.63	2.62
31 December 2018	88.81	6.21
31 December 2017	61.13	9.02

3 Impact of and Response to COVID-19 Pandemic
The Global COVID-19 pandemic has heightened health and safety risks and consequently the cost of doing business.
Given the risks arising from the pandemic, the Group has responded as follows:
- Reviewed and updated its business continuity plans and is closely monitoring its operations.
- Engaged with key clients which has resulted in most of its projects resuming works after the pronouncement of level 2 lockdown effective 3 May 2020.
- Put in place measures to prioritise the health and safety of its employees and business partners. The Group is certified to International Organisation for Standardisation (ISO) 9001:2015 Quality Management System, (ISO)14001:2015 Environmental Management System and (ISO) 45001:2018. Occupational Health and Safety Management System, and hence the compliance requirements to the World Health Organisation guidelines was seamless and less cost intensive.
- Cost containment and liquidity management are key areas of management.
- Strengthening the financial position as preservation of value for shareholders is key.

Notes to the Abridged Consolidated Financial Statements
For the Half Year Ended 30 June 2020

		Inflation Adjusted	
		30 June 2020 Reviewed ZWL	30 June 2019 Unaudited ZWL
4	**Profit Before Tax**		
	Profit before tax is shown after charging/(crediting) the following items:		
	Depreciation	40,379,991	16,562,305
	Staff costs	42,026,081	21,252,563
4.1	**Income Tax**		
	Current tax	(129,904)	-
	Deferred tax	(53,784,453)	(6,122,882)
		(53,914,357)	**(6,122,882)**

		Inflation Adjusted	
		30 June 2020 Reviewed ZWL	31 Dec 2019 Unaudited ZWL
4.2	**Property, Plant and Equipment**		
	Movement for the period:		
	Balance at the beginning of the period	442,451,689	141,440,225
	Capital expenditure	44,630,616	345,727,700
	Depreciation	40,379,991	40,379,991
	Carrying amount of disposals	-	(1,146,545)
	Revaluation - recognition on revaluation	195,259,214	-
	Balance at the end of the period	**641,961,528**	**442,451,689**
4.3	**Investment Property**		
	Movement for the period:		
	Balance at beginning of the period	171,367,608	171,367,608
	Fair value adjustments	93,397,843	-
	Balance at end of the period	**264,765,451**	**171,367,608**
4.4	**Investments**		
	Financial assets carried at fair value through other comprehensive income	**103,340,924**	**31,321,964**

Investment property was revalued at the end of the reporting period by the Directors.

4.5	**Contracts in Progress and Accounts Receivables**		
	Contract receivables and contract work in progress	219,947,845	257,716,528
	Trade receivables	5,159,971	5,001,453
	Prepayments	124,743,641	186,669,266
	Deposits and other receivables	3,938,893	2,599,680
		353,790,350	**451,986,927**
	Less: Allowance for doubtful receivables	(78,371)	(205,325)
	Total	**353,711,979**	**451,781,602**

The Group 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.

4.6	**Interest Bearing Borrowings**		
	Long term	2,568,214	6,022,068
	Short term	13,154,564	5,195,649
		15,722,778	**11,217,717**

4.7 Finance Lease

	2020		
	Up to 1 year	2 to 5 years	Total
Principal	1,149,734	2,259,434	3,409,168
Interest	379,412	745,613	1,125,025
	1,529,146	**3,005,047**	**4,534,193**

	2019		
	Up to 1 year	2 to 5 years	Total
Principal	477,420	656,090	1,133,510
Interest	23,970	95,954	119,924
	501,390	**752,044**	**1,253,434**

Finance lease represents three finance leases acquired to refinance the acquisition of property, plant and equipment. Each finance lease attracts an interest rate of 45% per annum. The finance leases have a tenure of twelve months each.

4.8	**Accounts Payable**		
	Trade	5,197,632	4,692,878
	Unearned revenue (Advance receipts from customers)	50,223,027	126,614,457
	Contract accruals and other payables	152,547,457	197,653,489
	Tax liabilities	269,856	366,662
	Subcontractor liabilities	23,008,351	37,814,121
		231,246,323	**367,141,607**
4.9	**Contingent Liabilities**		
	Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids.	**44,220,219**	**161,651,239**

Grant Thornton

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 0242 442511-4
F +263 0242 442517 / 496985
E info@zw.gt.com
www.grantthornton.co.zw

To the members of Masimba Holdings Limited

We have reviewed the accompanying inflation adjusted consolidated statement of financial position of Masimba Holdings Limited as at 30 June 2020 and the related inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant group accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the inflation adjusted consolidated interim financial information

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and the Group's accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of inflation adjusted consolidated interim financial information that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity."* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

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

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – *The Effects of Changes in Foreign Exchange Rates* which requires that an assessment be made of the change in functional currency and that financial information be presented at a rate that approximates the market rate. The Group had to be guided by S.I. 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Group maintained its functional currency as the USD from 1 October 2018 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA. The transactions for January and February 2019, which form part of the comparative period from January to June 2019, were translated from USD to ZWL using an exchange rate of 1:1 between the RTGS FCA (later changed to ZWL) and Nostro FCA. This constitutes a departure from the requirements of IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. Had the financial information been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Group's inability to comply with IAS 21 has been determined as significant. The effects on the financial information of the non-compliance with IAS 21 are considered material and pervasive to the financial information, taken as a whole.

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Directors have applied the IAS 29 - *Financial Reporting in Hyperinflationary Economies* with effect from 1 October 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies.

Had the Group fully applied the requirements of IAS 29 on restated base numbers, many of the elements of the financial information would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive.

Fair value determination of transactions, assets and liabilities

The determination of fair values for transactions, assets and liabilities presented in the financial information is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of fair values.

Emphasis of matter

We draw attention to **note 3** to the inflation adjusted consolidated interim financial information, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group. The Group is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, the accompanying inflation adjusted consolidated interim financial information do not present fairly, in all material respects the financial position of Masimba Holdings Limited as at 30 June 2020, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this independent review conclusion is Farai Chibisa.

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton 2 September 2020
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE