Willdale Limited

Quality • Durability • Diversity

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

TURNOVER ZWL596 Million | TURNOVER UP BY 19% | OPERATING PROFIT ZWL166 Million (2019: ZWL 331Million)

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED 30 SEPTEMBER 2020 ZWL	INFLATION ADJUSTED 30 SEPTEMBER 2019 ZWL
Revenue	**596,550,679**	**499,315,554**
Cost of Sales	(327,644,919)	(300,015,619)
Gross Profit	**268,905,760**	**199,299,935**
Selling expenses	(24,584,394)	(26,224,454)
Adminstrative expenses	(104,182,042)	(76,726,513)
Provisions for impairment of receivables	(2,970,076)	(1,983,705)
Fair value adjustment	(5,585,850)	
Other income	34,613,063	231,082,932
Profit from joint venture	-	5,585,850
Operating Profit	**166,196,461**	**331,034,045**
Interest income	212,201	301,953
Interest expense	(3,009)	(2,358,681)
Profit before Monetary Adjustment	**166,405,653**	**328,977,315**
Net monetary loss	(136,730,919)	(12,029,527)
Profit before Taxation	**29,674,734**	**316,947,788**
Taxation Charge	28,438,914	(13,014,020)
Profit for the year	**1,235,820**	**303,933,768**
Other Comprehensive Income		
Fair value adjustment	63,018,017	-
Revaluation surplus	342,545,693	378,872,943
Deferred tax on revaluation surplus and fair value adjustment	(48,373,040)	(97,559,462)
Total Comprehensive Income	**358,426,490**	**585,247,249**
Basic earnings per share - cents	0.070	17.094
Headline earnings per share - cents	0.070	6.251
Diluted earnings per share - cents	0.070	17.094
Diluted headline earnings per share - cents	0.070	6.251

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	INFLATION ADJUSTED 30 SEPTEMBER 2020 ZWL	INFLATION ADJUSTED 30 SEPTEMBER 2019 ZWL
Assets		
Non Current Assets	**1,608,252,256**	**1,175,121,974**
Property, plant and equipment	1,436,951,302	1,061,242,265
Investments	171,300,954	113,883,710
Current Assets	**293,873,489**	**297,716,006**
Inventories	202,599,859	175,653,199
Trade and other receivables	31,989,930	88,674,730
Contract asset	2,000,663	-
Cash and cash equivalents	57,283,037	33,388,077
Total Assets	**1,902,125,745**	**1,472,841,980**
Equity and Liabilities		
Equity	**1,433,038,474**	**1,074,242,766**
Share capital	3,060,399	3,060,399
Asset revaluation reserve	594,299,674	281,313,481
Fair value of financial asset revaluation reserve	50,414,414	-
Accumulated profit	785,263,987	789,868,886
Non Current Liabilities	**285,218,835**	**240,586,653**
Deferred taxation	284,889,764	240,257,582
Long term borrowings	329,071	329,071
Current Liabilities	**183,868,436**	**158,012,561**
Trade and other payables	126,201,405	132,580,120
Provisions	24,382,165	14,612,914
Taxation	33,284,866	10,819,526
Total Liabilities	**469,087,271**	**398,599,214**
Total Equity and Liabilities	**1,902,125,745**	**1,472,841,980**

ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED 30 SEPTEMBER 2020 ZWL	INFLATION ADJUSTED 30 SEPTEMBER 2019 ZWL
Profit before Taxation	**29,674,734**	**305,776,088**
Adjustment for non-cash items:		
Net monetary loss	136,730,919	12,029,527
Profit from joint venture	-	(5,585,872)
Depreciation	8,656,874	22,788,573
Fair value adjustment	5,585,872	
Profit on disposal of property, plant and equipment	-	(192,784,034)
Net exchange gain	(93,873,407)	(34,791,481)
Provisions for impairment of receivables	2,970,076	1,983,705
Movement in other provisions	8,093,851	5,517,609
Interest expense	3,009	2,358,690
Interest Income	(212,201)	(301,954)
Cashflow before changes in working capital	**99,305,127**	**128,161,551**
Working Capital changes		
Decrease in inventory	(26,946,660)	(52,483,977)
Increase in trade and other receivables	59,654,876	19,248,647
Increase/(Decrease) trade and other payables	(6,378,715)	(21,934,336)
Cash generated from operating activities	**125,634,628**	**72,992,885**
Interest paid	(3,009)	(2,358,690)
Interest received	212,201	301,954
Tax paid	(12,444,988)	(20,597,210)
Net Cash generated during the year	**113,398,832**	**50,338,939**
Investing Activities		
Proceeds from sale of property, plant and equipment	-	290,604,093
Purchase of property, plant and equipment	(35,610,280)	(30,134,093
Investments	-	(108,298,270)
Lease installment receipts	-	2,500,964
Cashflow generated from/(utilised in) investing activities	**(35,610,280)**	**154,671,864**
Financing Activities		
Dividend paid	(5,840,720)	(7,950,326)
Borrowings repayment	-	(202,431,028)
Lease repayment	-	(2,500,964)
Cashflow utilised in financing activities	**(5,840,720)**	**(212,882,318)**
Net Increase/(Decrease) in cash and cash equivalents	**71,947,831**	**(7,871,515)**
Cash and Cash Equivalents at beginning of the year	**33,388,206**	**41,259,721**
Cash and bank	33,388,206	42,605,679
Bank overdraft	-	(1,345,958)
Exchange differences	**(48,053,000)**	**-**
Cash and Cash Equivalents at end of the year	**57,283,037**	**33,388,206**
Cash and bank	57,283,037	33,388,206

ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

INFLATION ADJUSTED

	Share capital ZWL	Asset revaluation reserve ZWL	Fair value of financial asset revaluation reserve ZWL	Accumulated profit ZWL	Total equity ZWL
As at 30 October 2018	**3,060,399**	**272,447,945**	**-**	**221,437,499**	**496,945,843**
IAS revaluation reserve - IAS29	-	(272,447,945)	-	272,447,945	-
Profit for the year	-	-	-	303,933,768	**303,933,768**
Dividend	-	-	-	(7,950,326)	**(7,950,326)**
Land and building revaluation surplus	-	281,313,481	-	-	**281,313,481**
As at 30 September 2019	**3,060,399**	**281,313,481**	-	**778,697,186**	**1,063,071,066**
Profit for the year	-	-	-	1,235,820	**1,235,820**
Other comprehensive income	-	312,986,193	50,414,414	-	**363,400,607**
Total comprehensve income	-	312,986,193	50,414,414	1,235,820	**364,636,427**
Dividend	-	-	-	(5,840,720)	**(5,840,720)**
As at 30 September 2020	**3,060,399**	**594,299,674**	**50,414,414**	**785,263,987**	**1,433,038,473**

SUPLEMENTARY INFORMATION

1. **Corporate Information**
Willdale Limited is a company which is incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange. The Company's principal activity is the manufacture of clay bricks on a commercial basis.

2. **Accounting policies**
The accounting policies adopted are consistent with those of the previous financial year.

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Build to last with Willdale Bricks

Willdale Limited

Quality • Durability • Diversity

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020 (Cont'd)

TURNOVER ZWL596 Million | TURNOVER UP BY 19% | OPERATING PROFIT ZWL166 Million (2019: ZWL331 Million)

SUPLEMENTARY INFORMATION (Cont'd)

INFLATION ADJUSTED

	YEAR ENDED 30 SEPTEMBER 2020 ZWL	YEAR ENDED 30 SEPTEMBER 2019 ZWL
3. Commitments for capital expenditure		
Capital expenditure incurred	35,610,280	30,134,807
Authorised by directors but not contracted for	62,074,000	22,379,624

4. **Change in Functional Currency**
On 1 October 2018, the Reserve Bank of Zimbabwe ("RBZ") announced measures aimed at strengthening the multi-currency system by introducing separate bank accounts for RTGS FCAs and Nostro FCAs. Bank accounts in Zimbabwe were separated and designated as such. The RTGS FCA bank accounts and Nostro FCA bank accounts were officially designated as being at par. On 20 February 2019, the RBZ announced the official designation of the existing RTGS FCAs, bond notes and coins in circulation then as "RTGS dollars" in order to establish an exchange rate between the current monetary balances and foreign currency. On 22 February 2019 Statutory Instrument ("SI") 33 of 2019 gave official existence to the new currency. The RTGS dollar was to be used by all entities, including Government and individuals in Zimbabwe, for the purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions in Zimbabwe, thereby effectively becoming the functional currency in Zimbabwe with effect from 22 February 2019. In addition, SI 33 o f2019 was issued by the RBZ on 22 February 2019 ("the Effective Date"). SI 33 of 2019 prescribed, among other directives, that for accounting and other purposes, all local assets and local liabilities in Zimbabwe that were immediately before the Effective Date valued in US$ (other than assets and liabilities referred to in section 44C(2) of the Reserve Bank of Zimbabwe Act) shall on and after the Effective Date be deemed to be values in RTGS dollars at a rate of 1:1 to the US$.
Appropriate adjustments and reclassifications including restatement for changes in general purchasing power of the Zimbabwean dollar for the fair presentation in accordance with International Accounting Standard 29, "Financial Reporting in Hyperinflationary Economies" have been made on the historical cost financial information. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that comparative figures be stated in the same terms.

The current and prior year financial statements have been restated for changes in the general purchasing power of the ZWL. The company followed the legal instrument and changed the functional currency on 22 February 2019.

5. **Basis of Preparation**
The financial statements have been prepared under the current cost basis as per the provisions of IAS 29 "Financial Reporting In Hyper-inflationary Economies. The local accounting regulatory board, Public Accountants and Auditors Board (PAAB) proclaimed all financial periods after 1 July 2019 to be reported under the hyper-inflation accounting basis. Effective date of applying IAS 29 was 1 October 2019.
Appropriate adjustments and reclassifications including restatement for changes in general purchasing power of the Zimbabwean dollar for the presentation in accordance with International Accounting Standard 29, "Financial Reporting in Hyperinflationary Economies" have been made on the historical cost financial information. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at balance sheet date, and that comparative figures be stated in the same terms.The Inflation indices used to convert the financial statements have been obtained from the RBZ website.

	Index	Conversion Factor
CPI as at 30 September 2020	2205.2	1.000
CPI as at 30 September 2019	290.4	7.594

6. **Statement of Compliance**
The financial statements from which these abridged results have been obtained, have not been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies and Other Businesses Entity Act due to non compliance with IAS 21 ("The effects of changes in Foreign Exchange Rates"). Non compliance with IAS 21 was due to the use of multiple exchange rates during the period and the inconsistencies between SI 33 of 2019 and IAS 21.

7. **Revaluation of Land and Buildings**
Land and buildings are revalued annually to ensure that their fair value does not differ materially from the carrying amount.

8. **Independent Auditors' Statement**
These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2020 which have been audited by Ernst & Young Chartered Accountants (Zimbabwe) who have issued an adverse audit opinion thereon. The auditor's report on these financial results is available for inspection at the Company's registered office. The engagement partner for the audit was Mr Walter Mupanguri, PAAB practice certificate number 0367

9. **Other Income**
Included in other income is exchange gains of ZWL26 million.

10. **Events after Reporting Date**
COVID-19 Impact
The board has determined that between the end of our financial year and the date of this report there have been no adjusting events that have a material impact due to the COVID-19 pandemic.
Key markets have reopened for operations following the relaxation of the COVID-19 induced lockdown conditions. COVID-19 management expenses are being incurred but are not expected to have significant impact on operating expenses. Despite the effects of the COVID-19 pandemic, there has not been any significant impact post year end. Measures are in place to ensure minimal disruption to the supply chain and operations. The impact on receivables and sales is immaterial given the tight credit policy of the company and the existing level of saleable stocks respectively.

COMMENTARY - FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Overview
The operating environment was characterized by inflation and was worsened by the Covid19 pandemic which culminated in government induced lockdowns introduced in April 2020. Activities in the construction industry were therefore affected negatively resulting in subdued trade volumes.

Financial Results
Revenue for the year increased by 19% to ZWL596 million, compared to the prior year (2019:ZWL499 million) driven by a 12% increase in volumes. Operating profit decreased by 50% to ZWL166 million (2019:ZWL331 million) after charging ZWL8.7 million to depreciation of property, plant and equipment (2019: ZWL22 million).

Exchange gains amounting to ZWL 26 million (2019: ZWL34 million) were earned from translation of foreign currency denominated balances. Net cash flows generated from operations amounted to ZWL 125 million (2019:ZWL72 million). Capital expenditure for the year, which was all financed from internal resources, totaled ZWL35 million (2019: ZWL$30 million). Land and buildings were revalued to reflect fair values in line with our policy.

Production
Fired production for the year declined by 20% compared to the prior year. About 2 months' production was lost due to the COVID-19 induced lockdown. Annual maintenance of the plant will be carried out during the seasonal shutdown to ensure efficient production that delivers sufficient bricks for projects during the ensuing year in line with approved budgets for the new financial year.

Sales and Marketing
Sales volumes increased by 12 per cent compared to the prior year, despite effects of the COVID-19 induced lockdown on projects. The relaxation of lockdown conditions from Q4 witnessed a steady increase in orders especially from individual home developers. The continued opening up of economic activity coupled with the RBZ introduced foreign currency auction system resulted in a stable currency and inflation rate. This will present opportunities from dormant and new projects including government infrastructure and housing development programs.

Human Resources
Hyperinflation and the impact of the COVID-19 induced lockdown affected stability in the supply of task-based labour during the year thereby affecting productivity levels. Appropriate measures have been adopted to minimize disruptions in labour supply. Operations are being conducted under strict World Health Organization and Ministry of Health and Child Care guidelines to minimize the risk of transmission of the COVID-19 virus.

Directorate
There were no changes to the composition of the Board during the year under review.

Outlook
We are encouraged by the prevailing stability in the economy underpinned by a stable currency and declining inflation. We expect this to stimulate property and infrastructure development in the short to medium term. With sufficient critical mass, our business will deliver sustainable profitability into the near future for the benefit of all stakeholders including shareholders.

Going Concern
The Board is confident that the Company will continue to operate as a going concern for the foreseeable future and, as a result, financial statements for the period under review have been prepared using the going concern basis. The Board's view is based on favourable liquidity and solvency ratios, the successful implementation of its strategic plans, continued support from its stakeholders and other initiatives that the Board is undertaking to improve the Company's performance.

Dividend
The directors have resolved to pay a final dividend of 1.35 cents per share with respect to the year ended 30 September 2020. The dividend is payable to shareholders registered in the books of the company at the close of business on **22 January 2021** and will be paid on or **about 11 February 2021. The shares of the Company will be traded cum-dividend (with dividend)** on the Zimbabwe Stock Exchange **up to the market day on 19 January 2021** and **ex-dividend as from 20 January 2021.**

Appreciation
On behalf of the Board and Shareholders, I wish to express my sincere gratitude to our valued customers, suppliers and other stakeholders for their valued contribution and support during the period under review. I would also like to thank management and staff for their dedication to duty under the challenging and difficult operation environment under the COVID-19 pandemic. I wish you all and family a merry Christmas and a happy New Year!

Mount Hampden
17 December 2020

W. Chidziwo
Chairman

BUILD TO LAST WITH WILLDALE BRICKS.

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WILLDALE LIMITED

Report on the Audit of the Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the accompanying inflation adjusted financial statements of Willdale Limited, as set out on pages 16 to 52, which comprise the inflation adjusted statement of financial position as at 30 September 2020 and the related inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended and notes to the inflation adjusted financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly the financial position of the Entity as at 30 September 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 2.1 and 2.2 on the inflation adjusted financial statements, the Company applied the United States Dollar (US$) as its functional and reporting currency for the period 1 October 2018 to 22 February 2019 and the Real Time Gross Settlement Dollar (RTGS$) or Zimbabwe Dollar (ZWL) for the period 23 February to 30 September 2019, in order to comply with Statutory Instrument 33 (SI33) of 2019, issued on 22 February 2019. In addition, to comply with SI33, the Company changed its functional and reporting currency with effect from 23 February 2019. We, however, believe that the change in functional and reporting currency occurred from 1 October 2018.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro US$ Accounts effective 1 October 2018. Although the exchange rate between US$ and RTGS$ was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between the two currencies.

In February 2019, a Monetary Policy Statement was issued introducing the RTGS$ and the interbank foreign exchange market. This Monetary Policy statement was followed by, Statutory Instrument 142 of 2019 which specified that for all domestic transactions, ZWL (which comprises RTGS$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

The events in the preceding paragraphs, triggered a requirement for the Company to assess whether there was a change in functional and reporting currency from US$ to RTGS$. We believe that events in the market and subsequent promulgation of the RTGS$ as a formal currency supported a change in functional currency from US$ to RTGS$ prior to 22 February 2019 and that transactions in the market indicated different exchange rates between the two currencies despite the legal 1:1 RTGS$: US$ exchange rate and this applied from 1 October 2018. The Company chose to comply with the requirements of the law by adopting the date of change in functional and reporting currency as of 22 February 2019. This therefore impacted the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019. Consequently, our audit report for the year ended 30 September 2019 was modified as the effects were considered material and pervasive.

There has been no restatement of the opening balances to resolve this matter which resulted in the adverse audit opinion in the prior period in accordance with IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors as the issues to do with IFRS compliance and consistent market exchange rates have persisted in the current period. Consequently:

- All corresponding numbers remain misstated on the inflation adjusted Statement of Profit or Loss and other Comprehensive Income, inflation adjusted Statement of Financial Position, the inflation adjusted Statement of Changes in Equity, and the inflation adjusted Statement of Cash Flows; this also impacts comparability of the current year's figures.
- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the inflation adjusted Statement of Cash Flows, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity except for Selling and distribution expenses, IFRS 9 Impairment loss and Interest Income.

In addition to the impact on the corresponding numbers, current year performance and cash flows the matter continues to impact the following balances on the inflation adjusted Statement of Financial Position as they still comprise of amounts from opening balances, Property, Plant and Equipment of ZWL 1 436 951 302, Accumulated Profits of ZWL 785 263 986 and Deferred Taxation of ZWL 284 889 764.

Exchange rates used (Non-compliance with IAS 21)

As outlined in Note 1.3 to the Company inflation adjusted financial statements, for the year ended 30 September 2020, the Company translated foreign denominated transactions and balances using the interbank and weighted average auction rates. In our view, these exchange rates did not meet the IAS21 requirements for a spot rate for the Company as they were not available for immediate delivery for the company. The same matter contributed to the adverse opinion in prior year on this matter.

Had exchange rates contemplated by IAS 21 been used, the following balances and amounts on the inflation adjusted financial statements would have been affected in a material manner : unquantified amounts included in Property, Plant and Equipment balance of ZWL 1 436 951 302, unquantified amounts included in Inventory balance of ZWL 202 599 859, ZWL 48 924 593,87 included in Cash and cash equivalents balance of ZWL 57 283 037, unquantified amounts included in deferred taxation balance of ZWL 284 889 764, unquantified amounts included in Taxation balance of ZWL 33 284 866, unquantified amounts included in Cost of sales amount of ZWL 327 644 919, unquantified amounts included in Administrative expenses amount of ZWL 104 182 042, unquantified amounts included in Income tax expense amount of ZWL 28 438 914.

Valuation of investment properties and freehold land and buildings

The Company had freehold, land and buildings and Investments carried at ZWL 1 301 928 899 and ZWL 171 300 954 respectively as at 30 September 2020. The freehold land and buildings are included in the Property, plant and equipment balance of ZWL 1 436 951 302. These properties were valued by the Directors using historical US$ denominated inputs and converted to ZWL at the interbank rate in prior year and the auction rate as at 30 September 2020. The US$ inputs used may not be a true reflection of market dynamics as risks associated with currency trading do not reflect the risks associated with property trading. Owing to the nature of the matter, we are unable quantify the possible impact. Our conclusion on the current period's inflation adjusted financial information is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Consequential impact of the above matters on IAS 29 accounting

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 October2018 to 30 September 2020, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers and start date been used, many elements of the financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the company inflation adjusted 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 Entity 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 financial statements in Zimbabwe, and we have fulfilled our other 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.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information obtained at the date of this report comprises the Chairman's Statement and the Director's report but does not include the company inflation adjusted financial statements and our auditor's report thereon. Our opinion on the company inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Review of Operations, the Directors' Responsibility and Approval of Financial Statements and Report of Directors is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Entity did not comply with the requirements of IAS 21 – *Effects of Changes in Foreign Exchange Rates, IAS 8-Accounting Policies, Changes in Accounting Estimates and Error;* which had a consequential impact on inflation adjustments per *IAS29 Financial Reporting in Hyperinflationary Economies* and we disagreed with the valuation of properties.

We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items included therein and affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Inflation adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31) **,** 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 entity'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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 controls 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 Entity's internal controls.
- 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this independent auditor's report is Mr Walter Mupanguri (PAAB Practicing Certificate Number 0367).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS
Harare

Date: 05/01/2021