



asimba

HOLDINGS LIMITED

Abridged Audited Consolidated Financial Statements for the year ended 31 December 2020

Short-Form Financial Announcement

Issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange

This short-form financial announcement is the responsibility of the Directors and is only a summary of the information contained in the full announcement. Accordingly, any investment decisions by investors and/or shareholders should be based on consideration of the full announcement.

A copy of the full announcement has been shared with shareholders using their latest email addresses on file. It is also available upon request at enquiries@masimbagroup.com and for inspection at the Company's registered offices. The full announcement is also available on the Zimbabwe Stock Exchange website: www.zse.co.zw and the Company website: www.masimbagroup.com.

FINANCIAL HIGHLIGHTS

	Inflation adjusted		Historical	
	2020 Audited ZWL	% change	2020 Audited ZWL	% change
Revenue	5,220,083,423	248%	4,204,426,740	2153%
Operating profit	1,002,257,024	76%	758,028,959	515%
Profit for the year	327,385,741	112%	587,328,861	479%
Total assets	4,637,625,707	125%	4,579,728,295	942%
Total equity	1,664,089,369	43%	1,606,191,957	571%
Total liabilities	2,973,536,338	231%	2,973,536,338	1386%
Basic earnings per share (ZWL cents)	135.48	113%	243.05	479%
Diluted earning per share (ZWL cents)	135.48	113%	243.05	479%
Headline earnings per share (ZWL cents)	359.74	574%	117.60	997%

Dividend

The Board, having considered the business's profitability, its future cashflows, and the potential economic impact of COVID-19 on its operations, has proposed a final cash dividend for the year ending 31 December 2020 of ZWL41.80 cents (2019: ZWL0.83 cents) per share. The dividend will be payable in full to all Shareholders of the Company registered at the close of business on 30 April 2021. The payment of the dividend will take place on or about 7 May 2021. The applicable Shareholders' tax will be deducted from the gross dividends.

The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to market day of the 27th of April 2021 and ex-dividend from the 28th of April 2021.

External Auditor's Opinion

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse audit opinion on the consolidated financial statements with respect to non-compliance with International Accounting Standard (IAS) 21: The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies, and the extent to which fair values for assets, transactions and liabilities presented in the consolidated financial statements are affected by the prevailing economic environment.

The auditor has included a section on key audit matters that are in respect to revenue recognition and valuation of construction projects.

The auditor's report on the consolidated financial statements, which form the basis of these financial results, is available for inspection at the Group's registered office.

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

G. Sebborn
Chairman

12 April 2021



**Abridged Audited
Financial Results**
For the Year Ended 31 December 2020

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Financial Highlights

	Change	Inflation Adjusted		Historical Cost	
		2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
Revenue	248%	5,220,083,423	1,498,657,461	4,204,426,740	186,545,117
EBT	7%	361,129,050	336,689,931	751,845,846	122,614,185
EBITDFVA	125%	1,075,893,350	477,331,786	562,916,938	69,448,718
EBITDFVA/Turnover	-35%	20%	31%	13%	37%
Basic Earnings Per Share (cents)	113%	135.48	63.79	243.05	41.94
Diluted Earnings Per Share (cents)	113%	135.48	63.79	243.05	41.94
Headline Earnings Per Share (cents)	573%	359.74	53.38	117.90	10.72

PRELIMINARY ANNOUNCEMENT TO SHAREHOLDERS

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present to you the Masimba Holdings Limited (the Group) audited consolidated financial results for the year ended 31 December 2020.

OPERATING ENVIRONMENT

The operating environment in the first half of the year was largely characterised by foreign currency shortages and continued hyperinflation. The challenging operating environment was further compounded with the outbreak of the COVID-19 pandemic which culminated in the declaration of a Public Health Emergency Concern. Resultantly, since 17 March 2020, the country has been at differing stages of lockdown which have varying effects on business operations. The introduction of the foreign currency auction system on 23 June 2020 has, however, contributed significantly towards stabilising price inflation and the foreign exchange rates.

FINANCIAL PERFORMANCE OVERVIEW

The Group recorded revenues of ZWL5,220,083,423 (2019: ZWL1,498,657,461) for the year ended 31 December 2020. This represented a growth of 248% attributable to the strong order book that prevailed throughout the year. The roads and mining segments were the main revenue drivers in the period. Earnings Before Interest, Taxes, Depreciation and Fair Value Adjustments (EBITDFVA) at ZWL1,075,893,350 (2019: ZWL477,331,786) grew by 125%. The earnings growth was mainly driven by improved operational efficiencies on contracting projects, fair value gains realised on the revaluation of investment properties and exchange gains arising from a net foreign currency asset position.

The Financial position of the Group strengthened to ZWL4,637,625,707 (2019: ZWL2,059,909,657) due to improved profitability and adoption of a value preservation strategy implemented through the acquisition of property, plant and equipment. The investment property book as at 31 December 2020 increased to ZWL403,694,621 (2019: ZWL293,417,950) while capital expenditure on plant and equipment was ZWL213,752,666 (2019: ZWL591,959,671).

The Group's net working capital improved to ZWL454,934,491 (2019: ZWL316,951,651), while Borrowings increased to ZWL129,239,668 (2019: ZWL19,207,128), mainly to support strategic capital investments and working capital.

Cash generated from operations amounted to ZWL383,150,467 (2019: ZWL589,696,298). Cash utilised in investing activities amounted to ZWL306,416,804 (2019: ZWL589,737,378) and was mostly expended on capital equipment. The three year cumulative capital expenditure of US\$7,406,892 has enabled the Group to execute large scale infrastructure projects.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY MANAGEMENT SYSTEM

The Group retained its three International Organisation of Standardisation (ISO) certifications in the period under review, namely ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System.

In line with the Zero Harm strategic goal, the Group celebrated two million Lost Time Injury Free hours in December 2020.

CORPORATE SOCIAL RESPONSIBILITY

The Group endeavours to improve the welfare of the communities in which it operates in. In this regard, and as a general guideline, all general workers are employed from the local community in which the project is being executed. In the current year, an amount of ZWL51,184,210 was expended on wages to local community employees.

In March 2020 Masimba participated in the COVID-19 outreach program by contributing diesel and roller meal to support families in the Manicaland, Matabeleland and Midlands provinces. The Group also partnered the Business Fighting COVID-19 Trust and donated grocery hampers to the COVID-19 ward staff at Pareirenyatwa Hospital. In addition, the Group constructed a surfaced access road leading to the Chimanimani hospital. In order to improve the welfare of the Nyakomba irrigation community, the Group donated a tractor to be used by the local community in land preparation and other general agriculture logistics. The total amount that the Group applied towards various Corporate Social Investments in the twelve months period amounted to ZWL14,828,249.

The Group further contributes to strengthening communities through education and has partnered the University of Zimbabwe's Faculty of Engineering, the Apprenticeship Board and the Institute of Chartered Accountants of Zimbabwe in honouring and employing the top Civil Engineering students, training Apprentices and Chartered Accountants, respectively. As at 31 December 2020, the Group had 14 students under these development programs.

IMPACT OF COVID-19

The Group continues to implement and observe the Government of Zimbabwe and World Health Organisation approved COVID-19 guidelines throughout its operations to safeguard the health and welfare of staff, customers, suppliers, and all stakeholders. The Group has a robust COVID-19 Management Committee that includes a medical practitioner. In addition, and as part of the Group's business continuity plan, financing, capital investment and working capital models are regularly reviewed.

For the period under review, the Group lost 3,087 manhours and incurred a total of ZWL2,408,892 in compliance with the COVID-19 guidelines. While the COVID-19 pandemic did not materially impact the Group's liquidity and solvency in 2020, it is however not possible to assess, with absolute certainty, its potential impact on the financial performance for the year ending 31 December 2021.

OUTLOOK

The foreign currency auction system has contributed to a stable operating environment, the continued improvement of which provides opportunities for implementation of long term infrastructure projects. However, we urge the authorities to pursue appropriate policies that will mitigate the pricing arbitrage risks. In addition, the success of the roll out of the COVID-19 vaccination programme globally and Zimbabwe in particular, will provide a more conducive environment for efficient business operations.

The Group, as at reporting date, had a solid order book that included Roads, Mining and Housing Infrastructure and its execution thereof will largely be dependent on the sustenance of the current operating conditions as alluded to above. The order book is evenly balanced between the public and private sectors. The Board remains alive to the current risks and opportunities and will maintain its Value and Growth strategy in 2021.

DIVIDEND

The Board, having considered the business's profitability, its future cashflows, and the potential economic impact of COVID-19 on its operations, has proposed a final cash dividend for the year ending 31 December 2020 of ZWL41.80 cents (2019: ZWL0.83 cents).

DIRECTORATE

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

APPRECIATION

On behalf of the Board, I wish to express my sincere gratitude to our valued customers, suppliers and stakeholders, as well as the executives and staff for their unwavering commitment to the Masimba brand throughout the period.


G. Sebborn
14 April 2021

DIVIDEND DECLARATION NOTICE

Notice is hereby given that the Masimba Holdings Limited Board has declared a final cash dividend for the year ended 31 December 2020 of ZWL41.80 cents per share. The dividend will be payable in full to all Shareholders of the Company registered at the close of business on 30 April 2021.

The payment of the dividend will take place on or about 7 May 2021. The applicable shareholders' tax will be deducted from the gross dividends.

The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 27 April 2021 and ex-dividend as from 28 April 2021.

BY ORDER OF THE BOARD


Pearl Mutiti
Company Secretary
12 April 2021

AUDITOR'S OPINION

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditor has issued an adverse audit opinion on the consolidated financial statements with respect to non-compliance with International Accounting Standard (IAS) 21: The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies, and the extent to which fair values for assets, transactions and liabilities presented in the consolidated financial statements are affected by the prevailing economic environment.

The auditor has included a section on key audit matters which were in respect to the revenue recognition and valuation of construction projects.

The auditor's report on the consolidated financial statements, which form the basis of these financial results, is available for inspection at the Group's registered office.

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

**Abridged Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2020**

Notes	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
Revenue	5,220,083,423	1,498,657,461	4,204,426,740	186,545,117
Profit before interest and depreciation and fair value adjustments	1,075,893,350	477,331,786	562,916,938	69,448,718
Fair value adjustment	27,146,803	164,798,251	262,656,835	60,793,584
Depreciation	(100,783,129)	(74,600,618)	(67,544,814)	(7,076,337)
Operating profit	1,002,257,024	567,529,419	758,028,960	123,165,965
Net interest paid	(8,079,710)	(4,265,353)	(6,183,114)	(551,780)
Net monetary loss	(633,048,264)	(226,574,135)	-	-
Profit before tax	3.1 361,129,050	336,689,931	751,845,846	122,614,185
Tax	3.2 (33,743,309)	(182,858,718)	(164,516,985)	(21,265,095)
Profit for the year	327,385,741	153,831,213	587,328,861	101,349,090
Number of shares in issue (millions)	241.7	241.7	241.7	241.7
Basic earnings per share (cents)	135.48	63.66	243.05	41.94
Diluted earnings per share (cents)	135.48	63.66	243.05	41.94
Headline earnings per share (cents)	359.74	53.38	117.60	10.72

**Abridged Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2020**

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
Profit for the period	327,385,741	153,831,213	587,328,861	101,349,090
Other comprehensive income:				
Gain on revaluation of property, plant and equipment	111,950,663	-	737,392,440	127,995,887
Movement in available for sale investments	95,602,875	41,158,762	137,277,436	9,175,231
Deferred tax charge on other comprehensive income	(33,579,835)	(411,586)	(95,060,422)	(34,283,911)
Other comprehensive income for the period, net of tax	173,973,703	40,747,176	779,609,454	102,887,207
Total comprehensive income for the year	501,359,444	194,578,389	1,366,938,315	204,236,297

**Abridged Consolidated Statement of Financial Position
as at 31 December 2020**

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
ASSETS				
Property, plant and equipment	3.3 981,970,161	757,571,799	981,970,161	168,880,112
Investment property	3.4 403,694,621	293,417,950	403,694,621	65,409,584
Investments	162,234,045	53,629,893	162,234,045	11,955,332
	1,547,898,827	1,104,619,642	1,547,898,827	246,245,028
Current assets				
Cash and cash equivalents	237,916,435	53,049,371	237,916,435	11,825,920
Contracts in progress and accounts receivable	3.6 2,734,025,282	773,546,605	2,734,025,282	172,441,262
Inventories	117,785,163	128,694,039	59,887,751	8,743,351
	3,089,726,880	955,290,015	3,031,829,468	193,010,533
Total assets	4,637,625,707	2,059,909,657	4,579,728,295	439,255,561
EQUITY AND LIABILITIES				
Share capital	65,365,057	65,365,057	2,416,537	2,416,537
Share premium	24,603,941	24,603,941	1,006,892	1,006,892
Reserves	985,116,641	811,142,938	913,356,357	133,746,903
Retained earnings	589,003,730	261,617,989	689,412,171	102,083,310
	1,664,089,369	1,162,729,925	1,606,191,957	239,253,642
Non-current liabilities				
Interest bearing borrowings	3.7 25,121,361	10,311,067	25,121,361	2,298,573
Finance lease	3.8 -	1,123,366	-	250,424
Deferred tax	313,622,588	247,406,937	313,622,588	55,152,675
	338,743,949	258,841,370	338,743,949	57,701,672
Current liabilities				
Interest bearing borrowings	3.7 104,118,307	8,896,062	104,118,307	1,983,136
Finance lease	3.8 41,672	817,444	41,672	182,227
Accounts payable	3.9 2,530,632,410	628,624,856	2,530,632,410	140,134,884
	2,634,792,389	638,338,362	2,634,792,389	142,300,247
Total equity and liabilities	4,637,625,707	2,059,909,657	4,579,728,295	439,255,561



**Abridged Audited
Financial Results**

For the Year Ended 31 December 2020

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**Abridged Consolidated Statement of Cashflows
for the Year Ended 31 December 2020**

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
Net cashflow generated by operating activities	383,150,467	589,696,298	330,517,007	33,301,729
Net cashflow utilised by investing activities	(306,416,804)	(589,737,378)	(228,993,472)	(26,075,491)
Net cashflow generated from/(utilised by)	108,133,401	(52,482,501)	124,566,980	810,800
Increase/(decrease) in cash and cash equivalents	184,867,064	(52,523,581)	226,090,515	8,037,038

**Abridged Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2020**

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
Shareholders' equity at the beginning of the period	1,162,729,925	461,126,099	239,253,642	16,548,678
Share based payments reserve	-	(127,403)	-	(4,572)
Other comprehensive income	173,973,703	40,747,176	779,609,454	102,887,207
Foreign currency translation reserve	-	517,696,776	-	20,631,992
Dividend paid	-	(24,242,456)	-	(2,844,930)
Issue of shares	-	13,698,520	-	686,177
Profit for the period	327,385,741	153,831,213	587,328,861	101,349,090
Shareholders' equity at the end of the period	1,664,089,369	1,162,729,925	1,606,191,957	239,253,642

Summary of Information

- 1. Basis of presentation**
The Group's financial statements have been prepared under policies consistent with the requirements of the Companies and Other Business Entities Act (Chapter 24:31). The financial statements have been prepared under the current cost convention in accordance with International Accounting Standard 29: Reporting in Hyperinflationary Economies. The principal accounting policies of the Group have been applied consistently in all material respects with those from previous years. These financial statements have been prepared under the assumption that the Group will continue operating as a going concern.
- 2. IAS 29: Reporting in Hyperinflationary Economies**
These financial statements have been prepared with the aim to comply with the requirements of IAS 29: Reporting in Hyperinflationary Economies. The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for year ended 31 December 2020 and the comparative period. All items in the statement of cash flows are expressed based on the restated financial information for the period. The factors used in the periods under review are as follows:-

Period	Index	Conversion factor
31 December 2020	2,474.51	1.00
31 December 2019	551.63	4.49
31 December 2018	88.81	27.86

3. Notes to the Abridged Consolidated Financial Statements

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
3.1 Profit before tax				
Profit before tax is shown after charging the following items:				
Depreciation	100,783,129	74,600,618	67,544,814	7,076,337
Staff costs	350,691,388	86,276,744	305,265,061	10,277,492
3.2 Taxation				
Current tax	(1,107,494)	-	(1,107,494)	-
Deferred tax	(32,635,815)	(182,858,718)	(163,409,491)	(21,265,095)
	(33,743,309)	(182,858,718)	(164,516,985)	(21,265,095)
Tax reconciliation				
Profit before tax	361,129,050	336,689,931	751,845,845	122,614,185
Tax at standard rate	(89,271,101)	(86,697,661)	(193,600,305)	(31,573,153)
Adjusted for:				
Effects of expenses not deductible for tax	(33,369,655)	(51,781,357)	(40,188,951)	4,798,096
Effects of other permanent differences	88,897,087	(44,379,700)	69,272,271	5,509,962
	(33,743,309)	(182,858,718)	(164,516,985)	(21,265,095)
3.3 Property, plant and equipment				
Movement for the year:				
Balance at the beginning of the period	757,571,799	242,175,878	168,880,112	8,691,387
Capital expenditure	213,752,666	591,959,671	147,903,112	26,286,638
Depreciation	(100,783,129)	(74,600,618)	(67,544,814)	(7,076,337)
Carrying amount of disposals	(521,838)	(1,963,132)	(4,660,688)	(10)
Foreign currency translation reserve	-	-	-	12,982,546
Revaluation - recognition on revaluation	111,950,663	-	670,388,278	112,734,503
Depreciation - elimination on revaluation	-	-	67,004,161	15,261,385
Balance at the end of the period	981,970,161	757,571,799	981,970,161	168,880,112

Land and buildings were revalued at the end of December 2020 by independent valuers on the open market basis. Other property, plant and equipment were revalued by translating the USD carrying amount into ZWL by applying the closing interbank rate.

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
3.4 Investment property				
Balance at beginning of the period	293,417,950	128,619,699	65,409,584	4,616,000
Additions	83,129,868	-	75,628,202	-
Fair value adjustments	27,146,803	164,798,251	262,656,835	60,793,584
Balance at end of the period	403,694,621	293,417,950	403,694,621	65,409,584

The investment property was revalued at the end of December 2020 by Independent valuers on the open market basis.

3. Notes to the Abridged Consolidated Financial Statements (continued)

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
3.5 Investments				
Financial Assets carried at fair value through other comprehensive income	162,234,045	53,629,893	162,234,045	11,955,332
	162,234,045	53,629,893	162,234,045	11,955,332
3.6 Contracts in progress and accounts receivable				
Contract receivables and contract work in progress	2,131,012,212	441,265,745	2,131,012,212	98,368,245
Trade receivables	4,461,044	8,563,557	4,461,044	1,909,013
Prepayments	798,962,689	319,617,657	798,962,689	71,250,099
Deposits and other receivables	4,143,173	4,451,207	4,143,173	992,276
	2,938,579,118	773,898,166	2,938,579,118	172,519,633
Less: Allowance for doubtful receivables	(204,553,836)	(351,561)	(204,553,836)	(78,371)
	2,734,025,282	773,546,605	2,734,025,282	172,441,262

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.

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
3.7 Interest bearing borrowings				
Long term	25,121,361	10,311,067	25,121,361	2,298,573
Short term	104,118,307	8,896,062	104,118,307	1,983,136
	129,239,668	19,207,129	129,239,668	4,281,709

The short term loans represent a reclassification to current liabilities as per IFRS 7. The loans have a tenure of two years and accrue interest at an effective rate of 35% per annum. These loans are fully secured against immovable property and a notarial general covering bond over movable assets, including a cession of book debts.

3.8 Finance lease

	Inflation Adjusted		
	Up to 1 year	2 to 5 years	Total
2020			
Principal	41,672	-	41,672
Interest	1,563	-	1,563
	43,235	-	43,235
2019			
Principal	817,444	1,123,366	1,940,811
Interest	164,297	41,040	205,336
	981,741	1,164,406	2,146,147
	Historical Cost		
	Up to 1 year	2 to 5 years	Total
2020			
Principal	41,672	-	41,672
Interest	1,563	-	1,563
	43,235	-	43,235
2019			
Principal	182,227	250,424	432,651
Interest	36,625	9,149	45,774
	218,852	259,573	478,425

Finance lease represents three finance leases acquired to refinance the acquisition of property, plant and equipment. Each finance lease attracts an interest rate of 33% per annum. The finance leases have a tenure of 36 months each.

	Inflation Adjusted		Historical Cost	
	2020 Audited ZWL	2019 Audited ZWL	2020 Audited ZWL	2019 Audited ZWL
3.9 Accounts payable				
Trade	44,444,733	8,035,213	44,444,733	1,791,233
Unearned revenue				
(Advance receipts from customers)	71,981,102	216,790,995	71,981,102	48,327,680
Contract accruals and other payables	1,620,206,149	338,424,993	1,620,206,149	75,442,685
Tax liabilities	1,247,446	627,804	1,247,446	139,952
Subcontractor liabilities	792,752,981	64,745,852	792,752,981	14,433,334
	2,530,632,411	628,624,857	2,530,632,411	140,134,884
3.10 Contingent liabilities				
Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids.	858,591,155	276,420,153	858,591,155	61,700,927

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the financial statements of Masimba Holdings Limited set out on pages 8 to 59, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant group accounting policies.

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* section of our report, the consolidated financial statements do not present fairly, in all material respects, the financial position of Masimba Holdings Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with IAS 21 on the accounting of comparatives and transactions for the period

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. During the prior financial year up to 22 February 2019, the Group transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payment), including mobile money, bond notes and coins.

In order to comply with SI 33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Group changed the functional currency on 22 February 2019 in compliance with legislation. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 31 December 2020, the foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2020.

Had the Group applied the requirements of IAS 21, many of the elements of the consolidated financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be material and pervasive to the financial statements, taken as a whole.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

The Directors have applied the IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019 to 31 December 2020. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the consolidated financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of matter

We draw attention to **note 37** to the consolidated financial statements, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter noted below relate to the financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition and valuation construction projects.</p> <ul style="list-style-type: none"> • The Group is involved in complex construction projects where revenue is recognised overtime using the percentage of completion method. • The amount of revenue and profit recognized in a year on construction projects is dependent, among other things: <ul style="list-style-type: none"> ◦ On the actual costs incurred; ◦ The assessment of the percentage of completion for contracts; and ◦ The forecast contract revenue and costs to complete for each project. • The amount of revenue and profit is influenced by the valuation of variation orders and claims. • Due to the estimates and judgements involved in the recognition of revenue from construction projects, we have considered this matter as a key audit matter. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Understanding of the revenue process including the performance of an end to end walkthrough of the revenue recognition process and identifying relevant controls. • Tested the design and operating effectiveness controls that the Group has put in place over the process to record contract revenues, contract costs, and the calculation of the stage of completion. • Reviewed whether the revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Evaluated the significant judgements made by management, amongst others based on an examination of the associated project documentation. • Discussed with finance and technical staff of the Group on the status of projects under construction. In addition, we visited some projects under construction. <p>Based on our audit work performed and the assumptions used, we satisfied ourselves that the Group's revenue recognition and valuation of construction projects is in accordance with IFRS 15, Revenue from Contracts with Customers.</p>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of

consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Report on other legal and regulatory requirements

In our opinion, except for the possible effects of the matters described in the Basis for Adverse Opinion paragraph, the consolidated financial statements have been properly prepared in compliance with the requirements of the Companies and Other Businesses Entities Act (Chapter 24:31) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

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

Grant Thornton
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Farai Chibisa

Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

12 APRIL 2021

HARARE