

Financial Highlights

	Change	Inflation Adjusted		Historical Cost	
		2021 Audited ZWL	2020 Audited ZWL	2021 Audited ZWL	2020 Audited ZWL
Revenue	-12%	7,355,274,110	8,390,738,256	6,019,717,135	4,204,426,740
EBT	133%	1,352,607,769	580,477,185	1,718,541,452	751,845,846
EBITDFVA	-9%	1,571,853,179	1,729,386,061	1,250,483,367	562,916,939
EBITDFVA/Turnover	4%	21%	21%	21%	13%
Basic Earnings Per Share (cents)	87%	407.66	217.77	536.00	243.05
Diluted Earnings Per Share (cents)	87%	407.66	217.77	536.00	243.05
Headline Earnings Per Share (cents)	-41%	342.78	578.61	214.71	117.60
Order book (USD million)	197%			214.00	72.00

PRELIMINARY ANNOUNCEMENT TO SHAREHOLDERS

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present my report for the financial year ended 31 December 2021. My commentary will be based on the consolidated inflation adjusted financial statements, being the primary set of financial statements as defined by the International Accounting Standard 29: Reporting in Hyperinflationary Economies.

OPERATING ENVIRONMENT

The operating environment was generally stable with decelerating inflation which declined from 348.59% as at December 2020 to 60.74% at December 2021. Though the exchange rate remained stable, the continued delays in the foreign exchange auction system resulted in unintended price distortions in the market. During the financial period, various levels of lockdowns were in effect. The lockdowns, however, marginally affected the operations of the Group as it was classified as an essential service business. Accordingly, the Group continued to run under strict World Health Organisation and Government of Zimbabwe lockdown guidelines during the period.

REVIEW OF OPERATIONS

The contracting business was firm, driven by roads and earthworks, water, housing and mining infrastructure. The works were evenly spread between the public and private sectors. Government's renewed interest in infrastructure development was the key driver of growth for the road and earthworks order book. In addition, the contract periods improved from short term to medium-long term on the back of an improved operating environment.

The Properties segment's strategic focus in the period was the refurbishment of its industrial assets to enhance their earning capacity. As at reporting date, refurbishments for one of the properties in Harare were substantially complete. Plans are underway to refurbish, in the new financial period, other properties in Harare, Bulawayo and Gweru. In addition, a total land bank valued at ZWL398 million (USD3,6 million) was acquired during the year.

The Group established a quarry mining subsidiary, Sternrich Investments (Private) Limited, whose plant was commissioned in the fourth quarter. Its main purpose is the manufacture of stone aggregates which are key in road construction. It is expected that the cost savings associated with this investment will be evident in the next financial period.

FINANCIAL PERFORMANCE

The Group recorded revenues of ZWL7,355 million (2020: ZWL8,391 million) resulting in a decline of 12%. The decline was mainly due to the slow start of some key projects in the fourth quarter of the reporting period. Resultantly, Earnings before Interest Taxes Depreciation and Fair Value Adjustment (EBITDFVA) decreased to ZWL1,572 million (2020: ZWL1,729 million). Notwithstanding the marginal fall in revenues, EBITDFVA to turnover remained firm at 21% (2020: 21%). The proportion of revenue earned in United States Dollars was at 35% (2020: 20%) and this was recorded in the financial records at the prevailing foreign exchange auction rate.

The financial position of the Group strengthened to ZWL11,403 million (2020: 7,454 million) on the back of a deliberate effort by the Board to preserve value through acquisition of property, plant and equipment, key to the Group growth plans. The Group acquired plant and equipment of ZWL766 million (2020: ZWL344 million) and investment property of ZWL398 million (2020: ZWL134 million) during the financial year.

Current ratio declined to 1.07:1 (2020:1.17:1) mainly due to a strategy of minimal cash holding to preserve value in a hyperinflationary environment. Borrowings, to support working capital requirements, increased to ZWL397 million (2020: ZWL121 million).

The Group maintained all its three International Organisation of Standardisation certifications, namely International Organisation for Standardisation (ISO) 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, and International Organisation for Standardisation (ISO) 45001:2018 Occupational Health and Safety Management System, in the period under review. However, Lost Time Injury Frequency Rate (LTIFR) declined to 0.5 (2020: Nil) due to minor incidents that occurred in the year. Notwithstanding the setback, the Group continues to pursue its Zero Harm strategy.

CORPORATE SOCIAL RESPONSIBILITY

The Group endeavours to improve the wellbeing of the communities in which it operates, and to that end, as a minimum guideline, general workers are hired from the local communities where the projects are being undertaken. As at reporting date, the proportion of local employees was 64%.

The Group also participated in ensuring food security by supporting the 2021/2022 agriculture season, in particular small scale irrigation schemes in the Manicaland region. Masimba contributed ZWL equivalent of USD100,000 to the National Development Fund towards the procurement of COVID-19 vaccines. In total, the Group expended ZWL22.5 million in support of its various corporate social responsibility initiatives.

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 2021, the Group had 28 (2020: 14) students under these training and development programs.

IMPACT OF COVID-19

The Group continues to follow the Government of Zimbabwe and the World Health Organisation COVID-19 guidelines to protect the welfare of its employees, clients, suppliers and other key stakeholders. In addition, there is a robust COVID-19 Management Committee that includes a medical practitioner. Financing, capital investment and working capital models are also examined on a regular basis as part of the Group's business continuity strategy.

For the period under review, the Group lost 24,552 (2020: 3,087) manhours and incurred direct costs of ZWL18,7 million (2020: ZWL4,8 million) towards compliance with COVID-19 guidelines. We commiserate with those who have lost their loved ones to COVID-19.

The Group COVID-19 Management policy mandates that employees be fully vaccinated to mitigate the effects of the virus on the business. To that end, 99.95% employees had been vaccinated as at reporting date.

While COVID-19 did not materially impact on the Group's liquidity and solvency positions in the current period, it is difficult to assess its impact in the future. The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments that include the duration and spread of the outbreak, impact on its clients, employees and vendors, all of which are uncertain and cannot be reasonably estimated at this time.

OUTLOOK

We applaud the Government for the continued infrastructure investment drive and its determination to improve the ease of doing business in the country. We, however, take note of the potential impact on our contracting projects of the conflict between Russia and Ukraine on global commodity prices and supply logistics, among others.

The Group has a firm order book, valued at USD214 million (2020: USD 72 million) as at the reporting date, with tenures of between six to eighteen months. The book is evenly balanced between private and public sectors spread over housing, buildings, roads, mining and water infrastructure.

The infrastructure development prospects remain bright as evidenced by a long project pipeline and increased tendering activities. However, the execution thereof may be detracted by the continued foreign currency shortages and pricing distortions. We therefore urge the relevant authorities to pursue macroeconomic stabilisation policies, for the contracting sector, in particular, to contribute to the attainment of the objectives of the National Development Strategy.

Meanwhile, the Group has identified certain opportunities in the region and strategies have been put in place to pursue them, with anticipated close out in the short to medium term.

DIVIDEND DECLARATION

The Board, having considered the Group's profitability, its future cashflows, and the potential economic impact of COVID-19 on its operations, has proposed a final dividend for the year ending 31 December 2021 of ZWL41,70 cents per share. This will bring the total dividend to ZWL227,13 (2020: ZWL41,80) cents per share including ZWL185,43 cents per share special dividend-in-specie that was paid during the period.

DIRECTORATE

I am pleased to announce the appointments of Mr. Herbert Stanley Mashanyare and Ms. Cathrine Charmaine Chitiyo who joined the Board as Independent Non-Executive Directors on 12 August 2021 and 18 November 2021, respectively.

Meanwhile, we bid farewell to Mr. Paddy Tongai Zhanda who resigned from the Board effective 4 November 2021. We thank him for the invaluable contribution during his tenure as a Non-Executive Director and wish him the best in his future endeavours.

APPRECIATION

On behalf of the Board, I would like to extend our appreciation to our clients and stakeholders for their continued unwavering support. I extend a special thank you to staff, management and to my fellow Directors for their dedication in these particularly challenging times.

For and behalf of the Board

G. Sebborn
29 March 2022

DIVIDEND NOTICE

Notice is hereby given that the Masimba Holdings Limited Board has declared a final cash dividend for the year ended 31 December 2021 of ZWL41,70 cents per share. The dividend will be payable to Shareholders of the Company registered at the close of business on 14 April 2022. The payment of the dividend will take place on or about 20 May 2022. The applicable shareholders' tax will be deducted from the gross dividends.

The share of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 11 April 2022 and ex-dividend as from 12 April 2022.

BY ORDER OF THE BOARD

Pearl Mutiti
Company Secretary
29 March 2022



AUDITORS' OPINION

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2021 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse 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, International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies, and the valuation of investment properties; and property, plant and equipment.

The auditors have included a section on key audit matters. The key audit matters were with respect to the revenue recognition and valuation of construction projects.

The auditors' 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 auditors' report is Farai Chibisa (PAAB No. 0547).

Abridged Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2021

Notes	Inflation Adjusted		Historical Cost	
	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL
Revenue	7,355,274,110	8,390,738,256	6,019,717,135	4,204,426,740
Profit before depreciation and fair value adjustments	1,571,853,179	1,729,386,061	1,250,483,367	562,916,938
Fair value adjustment	384,513,515	43,635,647	721,850,336	262,656,835
Depreciation	(215,260,219)	(161,998,341)	(170,294,346)	(67,544,814)
Operating profit	1,741,106,475	1,611,023,367	1,802,039,357	758,028,960
Net interest paid	(98,553,678)	(12,987,289)	(83,497,905)	(6,183,114)
Net monetary loss	(289,945,028)	(1,017,558,893)	-	-
Profit before tax	3.1 1,352,607,769	580,477,185	1,718,541,452	751,845,846
Tax	3.2 (367,484,191)	(54,238,841)	(423,285,339)	(164,516,985)
Profit for the year	985,123,578	526,238,344	1,295,256,113	587,328,861
Number of shares in issue (millions)	241.7	241.7	241.7	241.7
Basic earnings per share (cents)	407.66	217.77	536.00	243.05
Diluted Earnings Per Share (cents)	407.66	217.77	536.00	243.05

Abridged Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2021

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL
Profit for the year	985,123,578	526,238,344	1,295,256,113	587,328,861
Other comprehensive income:				
Gain on revaluation of property, plant and equipment	45,414,820	179,948,984	693,034,016	737,392,440
Movement in available for sale investments	252,193,502	153,671,625	459,409,162	137,277,436
Deferred tax charge on other comprehensive income	(11,106,582)	(53,976,073)	(145,798,362)	(95,060,422)
Other comprehensive income for the period, net of tax	286,501,740	279,644,536	1,006,644,816	779,609,454
Total comprehensive income for the year	1,271,625,318	805,882,880	2,301,912,929	1,366,938,315

Abridged Consolidated Statement of Financial Position
as at 31 December 2021

Notes	Inflation Adjusted		Historical Cost	
	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL
ASSETS				
Property, plant and equipment	3.3 2,155,790,373	1,578,414,353	2,155,790,373	981,970,161
Investment property	3.4 1,431,318,421	648,896,890	1,431,318,421	403,694,621
Investments	3.5 149,364,629	260,774,263	149,364,629	162,234,045
	3,736,473,423	2,488,085,506	3,736,473,423	1,547,898,827
Current assets				
Cash and cash equivalents	1,759,455,832	382,425,791	1,759,455,832	237,916,435
Contracts in progress and accounts receivable	3.6 5,721,178,539	4,394,659,753	5,721,178,539	2,734,025,282
Inventories	185,607,675	189,327,333	185,607,675	59,887,751
	7,666,242,046	4,966,412,877	7,666,242,046	3,031,829,468
Total assets	11,402,715,469	7,454,498,383	11,402,715,469	4,579,728,295
EQUITY AND LIABILITIES				
Share capital	105,067,494	105,067,494	2,416,537	2,416,537
Share premium	39,548,262	39,548,262	1,006,892	1,006,892
Reserves	1,428,578,359	1,583,471,993	1,478,605,798	913,356,357
Retained earnings	1,786,729,920	946,761,905	1,877,894,808	689,412,171
	3,359,924,035	2,674,849,654	3,359,924,035	1,606,191,957
Non-current liabilities				
Interest bearing borrowings	3.7 -	40,379,961	-	25,121,361
Deferred tax	881,177,254	504,115,516	881,177,254	313,622,588
	881,177,254	544,495,477	881,177,254	338,743,949
Current liabilities				
Interest bearing borrowings	3.7 331,299,310	167,359,291	331,299,310	104,118,307
Finance lease	3.8 -	66,983	-	41,672
Accounts payable	3.9 6,830,314,870	4,067,726,978	6,830,314,870	2,530,632,410
	7,161,614,180	4,235,153,252	7,161,614,180	2,634,792,389
Total equity and liabilities	11,402,715,469	7,454,498,383	11,402,715,469	4,579,728,295

Abridged Consolidated Statement of Cash Flows
for the Year Ended 31 December 2021

	Inflation Adjusted		Historical Cost	
	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL	Audited 31 December 2021 ZWL	Audited 31 December 2020 ZWL
Net cashflow generated by operating activities	2,537,181,394	615,874,311	2,377,093,485	330,517,007
Net cashflow utilised by investing activities	(1,145,198,111)	(492,532,971)	(957,507,830)	(228,993,472)
Net cashflow generated from/(utilised by) financing activities	(14,953,242)	173,813,135	101,953,741	124,566,980
Increase in cash and cash equivalents	1,377,030,041	297,154,475	1,521,539,396	226,090,515



Abridged Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2021

	Inflation Adjusted		Historical Cost	
	Audited	Audited	Audited	Audited
	December 2021	December 2020	December 2021	December 2020
	ZWL	ZWL	ZWL	ZWL
Shareholders' equity at the beginning of the year	2,674,849,654	1,868,966,774	1,606,191,957	239,253,642
Other comprehensive income	286,501,741	279,644,536	1,006,644,816	779,609,454
Dividend paid	(586,550,938)	-	(548,168,851)	-
Profit for the year	985,123,578	526,238,344	1,295,256,113	587,328,861
Shareholders' equity at the end of the year	3,359,924,035	2,674,849,654	3,359,924,035	1,606,191,957

SUMMARY OF INFORMATION

1. BASIS OF PRESENTATION

The Group's financial statements have been prepared under the policies consistent with the requirements of the Companies and Other Business Entites Act (Chapter 24:31). The financial statements have been prepared under the current cost covention 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 the previous years. These financial statements have been prepared under the assumption that the Group will continued opertate 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 a 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 the 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 the year ended 31 December 2021 and the comparative period. All items in the statement of cashflows are expressed based on the restated financial information for the period.

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

Date	Index	Conversion factor
31 December 2021	3,977.50	1.00
31 December 2020	2,474.50	1.61
31 December 2019	240.30	16.55

3. NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

The abridged consolidated financial statements are presented in Zimbabwe Dollars, being the functional and reporting currency of the primary economic environment in which the Group operates.

	Inflation Adjusted		Historical Cost	
	Audited	Audited	Audited	Audited
	December 2021	December 2020	December 2021	December 2020
	ZWL	ZWL	ZWL	ZWL
3.1 Profit before tax				
Profit before tax is shown after charging/(crediting) the following items:				
Depreciation	215,260,219	161,998,341	170,294,346	67,544,814
Staff costs	498,621,571	563,699,736	395,667,442	305,265,061
3.2 Taxation				
Current tax	(1,529,035)	(1,780,181)	(1,529,035)	(1,107,494)
Deferred tax	(365,955,156)	(52,458,660)	(421,756,304)	(163,409,491)
	(367,484,191)	(54,238,841)	(423,285,339)	(164,516,985)
Tax reconciliation				
Profit before tax	1,352,607,769	580,477,185	1,718,541,452	751,845,845
Tax at standard rate	(334,364,641)	(143,493,960)	(442,524,424)	(193,600,305)
Adjusted for:				
Effects of expenses not deductible for tax	(79,697,769)	(53,638,231)	(14,789,065)	(40,188,951)
Effects of other permanent differences	(25,149,782)	142,893,350	34,028,150	69,272,271
Effects of income taxed at special rates	-	-	-	-
	(367,484,191)	(54,238,841)	(423,285,339)	(164,516,985)
3.3 Property, plant and equipment				
Movement for the year:				
Balance at the beginning of the year	1,578,414,353	1,460,821,717	981,970,161	168,880,111
Capital expenditure	765,518,120	343,585,059	667,437,862	147,903,112
Depreciation	(215,260,219)	(161,998,341)	(170,294,346)	(67,544,814)
Carrying amount of disposals	(18,296,701)	(63,994,082)	(15,921,770)	(5,201,340)
Revaluation - recognition on revaluation	45,414,820	-	522,739,670	670,388,278
Depreciation - elimination on revaluation	-	-	169,858,796	67,544,814
Balance at the end of the year	2,155,790,373	1,578,414,353	2,155,790,373	981,970,161

Land and buidings were revalued at the end of December 2021 by independent valuers on the open market basis.

	Inflation Adjusted		Historical Cost	
	Audited	Audited	Audited	Audited
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	ZWL	ZWL	ZWL	ZWL
3.4 Investment property				
Balance at beginning of the year	648,896,890	105,139,067	403,694,621	65,409,584
Additions	397,908,016	121,564,426	305,773,464	75,628,202
Fair value adjustments	384,513,515	422,193,397	721,850,336	262,656,835
Disposals during the year	-	-	-	-
Balance at end of the year	1,431,318,421	648,896,890	1,431,318,421	403,694,621

Total investment property of ZWL1,022,873,947 was valued by an independent valuer as at 31 December 2021, whilst the residual was valued by directors' using similar factors applied by external valuers.

	Inflation Adjusted		Historical Cost	
	Audited	Audited	Audited	Audited
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	ZWL	ZWL	ZWL	ZWL
3.5 Investments				
Financial Assets carried at fair value through other comprehensive income	149,364,629	260,774,263	149,364,629	162,234,045
	149,364,629	260,774,263	149,364,629	162,234,045

3. NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3.6 Contracts in progress and accounts receivables

Contract receivables and contract work in progress	3,902,250,271	3,101,018,950	3,902,250,271	1,929,219,709
Trade receivables	18,048,737	7,170,662	18,048,737	4,461,044
Prepayments	1,850,650,797	1,284,248,978	1,850,650,797	798,962,689
Deposits and other receivables	24,252,832	6,659,717	24,252,832	4,143,173
	5,795,202,637	4,399,098,307	5,795,202,637	2,736,786,615
	(74,024,098)	(4,438,554)	(74,024,098)	(2,761,333)
	5,721,178,539	4,394,659,753	5,721,178,539	2,734,025,282

The Group's allowance for credit losses is based on a simplified impairment approach in accordance with IFRS 9 - Financial Instruments.

	Inflation Adjusted		Historical Cost	
	Audited	Audited	Audited	Audited
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	ZWL	ZWL	ZWL	ZWL
3.7 Interest bearing borrowings				
Long term	-	40,379,961	-	25,121,361
Short term	331,299,310	167,359,291	331,299,310	104,118,307
	331,299,310	207,739,252	331,299,310	129,239,668

The short-term loans represent a reclassification to current liabilities as per IFRS 7 Financial Instruments: Disclosures. The loans have a tenure of 2 years and accrue interest at an effect rate of 45% per annum. These loans are fully secured against immovable property and a notorial general covering bond over movable assets, including a cession of book debts.

	Inflation Adjusted 2021		Historical cost 2021	
	Up to 1 year	2 to 5 years	Up to 1 year	2 to 5 years
	ZWL	ZWL	ZWL	ZWL
3.8 Finance leases				
Inflation Adjusted 2021				
Minimum lease payments	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Inflation Adjusted 2020				
Principal	66,983	-	66,983	-
	66,983	-	66,983	-
Historical cost 2021				
Minimum lease payments	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Historical cost 2020				
Principal	41,672	-	41,672	-
	41,672	-	41,672	-

Finance leases were fully paid at reporting date.

	Inflation Adjusted		Historical Cost	
	Audited	Audited	Audited	Audited
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	ZWL	ZWL	ZWL	ZWL
3.9 Accounts payable				
Trade	57,347,252	71,440,261	57,347,252	44,444,733
Unearned revenue (Advance receipts from customers)	1,580,003,924	115,702,095	1,580,003,924	71,981,102
Contract accruals and other payables	4,271,877,277	2,604,311,965	4,271,877,277	1,620,206,149
Tax liabilities	1,538,540	2,005,137	1,538,540	1,247,446
Subcontractor liabilities	919,547,877	1,274,267,520	919,547,877	792,752,980
	6,830,314,870	4,067,726,978	6,830,314,870	2,530,632,410
3.10 Contingent liabilities				
Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids.	597,009,381	858,591,155	597,009,381	858,591,155

4. Going concern

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

5. COVID-19

Management has considered the consequences of COVID-19 and other events and conditions, it has determined that the event and conditions do not create a material uncertainty that casts significant doubt on the entities' ability to operate as a going concern. The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be reasonably estimated at this time.



INDEPENDENT AUDITOR'S REPORT

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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 10 to 59, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates

During the prior and current financial years, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year 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 2021.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

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

Although IAS 29 has been applied correctly, 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 financial statements (including monetary gain/loss) 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 for the year ended 31 December 2021.

Valuation of investment properties; and property, plant and equipment

The determination of fair values for assets presented in the consolidated financial statements is affected by the prevailing economic environment. These consolidated financial statements include investment properties; and property, plant and equipment that are carried at fair value in accordance with IFRS 13 "*Fair value measurement*".

The valuation of investment properties amounting to ZWL 1 237 181 508 was performed by Directors as at 31 December 2021. The property valuations by the Directors were derived by applying certain assumptions on values determined by independent professional valuers as at 31 December 2020, and may not reflect the assumptions that market participants would apply in valuing similar items.

There was no valuation of property, plant and equipment during the year ended 31 December 2021. Property, plant and equipment amounting to ZWL 1 706 185 489 was based on a valuation that was performed by Directors as at 31 December 2020. This valuation was denominated in USD and then translated to ZWL using the foreign currency auction rate as at 31 December 2020. Although the determined USD values reflected the fair value of the property, plant and equipment in USD, the converted ZWL values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment in ZWL.

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.

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 of 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 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 information of the business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

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).

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

30 March 2022

HARARE