



Financial Highlights

	Change	Inflation Adjusted		Historical Cost	
		2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Revenue	83%	46,331,125	25,284,481	36,283,665	6,019,717
EBT	166%	12,358,208	4,649,722	16,465,503	1,718,541
EBITDFVA	144%	13,186,607	5,403,401	10,220,558	1,250,483
EBITDFVA/Turnover	33%	28%	21%	28%	21%
Basic earnings per share (cents)	241%	4.77	1.40	5.56	0.54
Diluted earnings per share (cents)	241%	4.77	1.40	5.56	0.54
Headline earnings per share (cents)	76%	2.07	1.18	0.53	0.21

PRELIMINARY ANNOUNCEMENT TO SHAREHOLDERS

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present my report for the year ended 31 December 2022. The Group's primary financial statements are adjusted for inflation in terms of International Accounting Standards (IAS) 29: Financial Reporting in Hyperinflationary Economies. Historical cost financial statements have been issued for information purposes only.

OPERATING ENVIRONMENT

The operating environment was predominantly unstable during the financial period with annual inflation closing the year at 243.76% from 60.74% in the comparative period. Due to the continued disparities between the official and alternative market exchange rates, suppliers practised forward exchange pricing resulting in significant cost pressures to the business. In addition, the continued national power shortages have resulted in an increased cost of doing business.

Further, the local challenges have been compounded by the Russia - Ukraine conflict which has resulted in imported inflation on the back of disruptions in supply chains. Despite the aforementioned challenges, the Group posted a satisfactory performance for the year ended 31 December 2022.

REVIEW OF OPERATIONS

The Contracting business commenced the financial period with a firm order book. The order book, comprising of roads and earthworks, water, housing, mining and energy infrastructure, was evenly balanced between the public and private sectors. We applaud the Government's continued investment in infrastructure development, being the key enabler to economic development.

The Properties segment continued in the year with its strategic focus of refurbishing its industrial assets to enhance rental earning capacity. During the year, refurbishments were concluded on two properties located in Bulawayo and Harare resulting in rental yields firming to 9% (2021: 3.5%). In addition, land bank valued at ZWL53 million (USD439 000) was acquired during the year in line with the value preservation strategy. The quarry mining business unit, Stemrich Investments (Private) Limited, established in the prior year, contributed positively towards the Group profitability. The segment manufactures stone aggregates which are key in the contracting business.

REVIEW OF INFLATION ADJUSTED FINANCIAL PERFORMANCE

The Group recorded revenues of ZWL46.33 billion (2021: ZWL25.28 billion) resulting in a volume increase of 83%. The growth in revenue was mainly driven by a firm order book in the roads and earthworks, mining, buildings and housing infrastructure segments. Revenue earned in United States Dollars improved to 65% (2021: 35%) as a proportion to total revenue. The associated foreign currency denominated revenue and costs are converted to Zimbabwe Dollars based on the Willing Buyer Willing Seller rate as published by the Reserve Bank of Zimbabwe. Earnings before Interest Taxes Depreciation and Fair Value Adjustment (EBITDFVA) increased to ZWL13.18 billion (2021: ZWL5.40 billion). The earnings growth was mainly attributable to improved operational efficiencies and exchange gains of ZWL4.8 billion (2021: ZWL1.97 million) arising from a net foreign currency asset position.

The financial position of the Group strengthened to ZWL58.9 billion (2021: ZWL39.2 billion), which is in line with the Company's growth and value strategies. Total capital expenditure incurred in property, plant and equipment and investment property amounted to ZWL4.4 billion (2021: ZWL2.6 billion) and ZWL166 million (2021: ZWL1 billion) respectively, which collectively translated to an equivalent of USD6.7 million (2021: USD11.3 million). In addition, the increase in the financial position is attributable to the revaluation and fair value measurement of property, plant and equipment and investment property. In this regard, revaluation surplus and fair value gains realised in the year amounted to ZWL8.3 billion (2021: ZWL156 million) and ZWL4.3 billion (2021: ZWL1.3 billion), respectively.

Current ratio improved to 1.29 (2021: 1.07) mainly due to increase in volumes and the temporary suspension of Zimbabwe Dollar payments by Central Treasury as announced in August 2022. This temporary suspension of payments was part of an array of measures put in place by the fiscal authorities to mitigate speculative trading.

Cash generated by operating activities declined to ZWL729 million (2021: ZWL8.7 million). The decline in cash generated by operating activities was mainly attributable to the slow progression in collection of contracts in progress and trade receivables following the temporary suspension of payments by Central Treasury as alluded to above.

As at close of the financial year, total borrowings were at ZWL424 million (2021: ZWL1.1 billion). Included in the borrowings is a USD loan balance of USD500 000. Given the current lending rates and economic outlook, the Group's levels of borrowings are sustainable.

OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SYSTEM (OHSAS)

In the period under review, Lost Time Injury Frequency Rate improved to zero from the comparative of 0.50. Further, the Group was accredited with two sectoral gold awards at the NSSA Safety & Health at Work event. The Group, which continues to pursue its Zero Harm strategy, retained all its three International Organisation for Standardisation certifications, namely International Organisation for Standardisation (ISO) 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, and ISO 45001:2018 Occupational Health and Safety Management System.

CORPORATE SOCIAL RESPONSIBILITY

In line with its policy of improving the wellbeing of the communities in which it operates, 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 63% (2021: 64%). In addition, the Group constructed a classroom block at Kwirire Primary School in Chimanimani. Total costs expended in the various corporate social responsibility initiatives that the Group undertook in the current year amount to ZWL78 million (2021: ZWL78.7 million).

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 2022, the Group had 27 (2021: 28) students under these training and development programs.

In line with the Group's sustainable development philosophy, 2 000 trees were planted in Masvingo in the last quarter of the year.

IMPACT OF COVID-19 ON BUSINESS CONTINUITY AND STATEMENT OF SOLVENCY

The Group continues to follow COVID-19 guidelines as authorised by the Government of Zimbabwe and the World Health Organisation throughout its activities to protect the health and welfare of its employees, clients, suppliers and other stakeholders.

For the period under review, the Group lost 2 448 (2021: 2 673) manhours and incurred direct COVID-19 related costs of ZWL18.7 million (2021: ZWL23.9 million). While COVID-19 cases continue to decline, the Board remains on high alert to any future pandemics. As at reporting date, all the Group's employees were fully vaccinated.

COVID-19 did not have a material impact on the Group's liquidity and solvency positions in the period under review.

OUTLOOK

The macro-economic environment is forecast to remain constrained on the back of a contractionary fiscal policy and continued pricing distortions emanating from exchange rate disparities in the market.

The Group has a firm order book valued at USD104 million as at the reporting date, with tenures of between six to eighteen months. The order book, which is evenly balanced between private and public sectors, is spread over energy, housing, buildings, roads, mining and water infrastructure.

The current state of infrastructure in the country presents opportunities for the Group as evidenced by a long project pipeline and increased tendering activities. Unlocking of these opportunities is dependent on the continued stability of the economy. In this regard, we implore the Authorities to continue pursuing a balanced and sustainable fiscal policy.

DIVIDEND DECLARATION

The Board, having considered the Group's profitability, its future cashflows on its operations, has declared a final dividend of USD0.315 cents and ZWL288.58 cents per share (2021: ZWL227.13) payable from the Group's profit for the year ended 31 December 2022.

DIRECTORATE

I am pleased to announce the appointment of Sharon Bwanya who joined the Board as Non-Executive Director effective 22 June 2022. Sharon is the Group General Counsel for the Masawara Group, an investment holding entity that operates across various African countries.

APPRECIATION

I wish to express my sincere gratitude to the Board of Directors, executives, management and staff for their efforts during the year under review. Their commitment, despite the challenging operating environment, is greatly appreciated. I also take this opportunity to thank the Group's valued customers, suppliers and other stakeholders for their continued support.

For and behalf of the Board



Greg Sebborn
Chairman

30 March 2023


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 2022 of USD0.315 cents and ZWL288.58 cents per share. The dividend will be payable to Shareholders of the Company registered at the close of business on 21 April 2023.

The payment of the dividend will take place on or about 9 May 2023. 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 17 April 2023 and ex-dividend as from 19 April 2023.

BY ORDER OF THE BOARD



Pearl Mutiti
Company Secretary

30 March 2023

AUDITOR'S OPINION

These abridged consolidated financial statements derived from the audited inflation adjusted consolidated financial statements of Masimba Holdings Limited and its subsidiaries "the Group" for the financial year ended 31 December 2022, should be read together with the complete set of audited inflation adjusted consolidated financial statements of the Group, for the year ended 31 December 2022, which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) and the auditor's report signed by Edmore Chimhowa, Registered Public Auditor 0470.

A qualified opinion has been issued on the audited inflation adjusted consolidated financial statements of the Group, for the year then ended. The qualified opinion was issued regarding non-compliance with International Accounting Standard (IAS) 21 - 'The Effect of Changes in Foreign Exchange Rates' in the prior financial years and International Accounting Standard (IAS) 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The auditor's report includes a section on key audit matters outlining matters that in the auditor's professional judgement, were of most significance in the audit of the inflation adjusted consolidated financial statements. The key audit matters were with respect to revenue recognition and determination of allowance for expected credit losses.

The auditor's report on the inflation adjusted consolidated financial statements and the full set of the consolidated audited inflation adjusted financial statements, is available for inspection at the company's registered office and the auditor's report has been lodged with the Zimbabwe Stock Exchange.

Abridged Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

Notes	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Revenue	46,331,125	25,284,481	36,283,665	6,019,717
Profit before depreciation and fair value adjustments	13,186,607	5,403,401	10,220,558	1,250,483
Fair value adjustments	4,250,351	1,321,803	7,746,598	721,850
Depreciation	(1,685,250)	(739,978)	(1,348,515)	(170,294)
Operating profit	15,751,708	5,985,2256	16,618,641	1,802,039
Net interest paid	(228,423)	(338,789)	(153,138)	(83,498)
Net monetary loss	(3,165,077)	(996,715)	-	-
Profit before tax	12,358,208	4,649,722	16,465,503	1,718,541
Tax	(825,543)	(1,263,263)	(3,028,478)	(423,285)
Profit for the year	11,532,665	3,386,459	13,437,025	1,295,256
Number of shares in issue (millions)	241.7	241.7	241.7	241.7
Basic earnings per share (cents)	4.77	1.40	5.56	0.54
Diluted earnings per share (cents)	4.77	1.40	5.56	0.54
Headline earnings per share (cents)	2.07	1.18	0.53	0.21

Abridged Consolidated Statements of Comprehensive Income
for the year ended 31 December 2022

Notes	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Profit for the year	11,532,665	3,386,459	13,437,025	1,295,256
Other comprehensive income:				
Gain on revaluation of property, plant and equipment	8,346,867	156,118	14,910,825	693,034
Movement in financial assets through other comprehensive income	(313,458)	866,940	50,633	459,409
Deferred tax charge on other comprehensive income	(3,184,471)	(38,180)	(3,832,842)	(145,798)
Other comprehensive income for the year, net of tax	4,848,938	984,878	11,128,616	1,006,645
Total comprehensive income for the year	16,381,603	4,371,338	24,565,641	2,301,901

Abridged Consolidated Statement of Financial Position
as at 31 December 2022

Notes	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
ASSETS				
Property, plant and equipment	18,548,114	7,410,742	18,548,114	2,155,790
Investment property	9,115,920	4,920,298	9,115,920	1,431,318
Investments	199,998	513,456	199,998	149,365
27,864,032	12,844,496	27,864,032	3,736,473	
Current assets				
Inventories	472,258	638,045	466,581	185,608
Contracts in progress and accounts receivable	29,090,079	19,667,116	29,090,079	5,721,179
Cash and cash equivalents	1,430,353	6,048,304	1,430,353	1,759,456
30,992,690	26,353,465	30,987,013	7,666,243	
Total assets	58,856,722	39,197,961	58,851,045	11,402,716
EQUITY AND LIABILITIES				
Share capital	361,180	361,180	2,417	2,417
Share premium	135,951	135,951	1,007	1,007
Reserves	9,864,929	4,910,879	12,606,724	1,478,606
Retained earnings	17,467,914	6,142,061	15,214,150	1,877,895
27,829,974	11,550,071	27,824,298	3,359,925	
Non-current liabilities				
Deferred tax	7,027,698	3,029,134	7,027,698	881,177
7,027,698	3,029,134	7,027,698	881,177	
Current liabilities				
Interest bearing borrowings	424,229	1,138,874	424,229	331,299
Accounts payable	23,574,821	23,479,882	23,574,820	6,830,315
23,999,050	24,618,756	23,999,049	7,161,614	
Total equity and liabilities	58,856,722	39,197,961	58,851,045	11,402,716




Abridged Consolidated Statement Of Cash Flows
 for the year ended 31 December 2022

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Net cashflow generated from operating activities	717,931	8,721,813	2,442,553	2,377,093
Net cashflow utilised in investing activities	(4,414,426)	(3,936,732)	(2,763,816)	(957,508)
Net cashflow (utilised)/generated in financing activities	(921,457)	(51,403)	(7,840)	101,954
(Decrease)/Increase in cash and cash equivalents	(4,617,950)	4,733,678	(329,103)	1,521,539
Cash and cash equivalents at beginning of the year	6,048,303	1,314,626	1,759,456	237,917
Cash and cash equivalents at end of year	1,430,353	6,048,304	1,430,353	1,759,456

Abridged Consolidated Statement Of Changes In Equity
 for the year ended 31 December 2022

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Shareholders equity at the beginning of the year	11,550,071	9,195,060	3,359,924	1,606,192
Other comprehensive income	4,954,050	984,878	11,128,118	1,006,645
Dividend paid	(206,811)	(2,016,327)	(100,770)	(548,169)
Profit for the year	11,532,665	3,386,460	13,437,025	1,295,256
Shareholders equity at the end of the year	27,829,974	11,550,071	27,824,297	3,359,924

SUMMARY OF INFORMATION
1 Basis of presentation
Statement of compliance

The abridged consolidated financial results have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Companies and Other Business Entities Act (Chapter 24:31). The same accounting policies, presentation and methods followed in the abridged consolidated financial results are as applied in the Group's latest annual financial statements. 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 continue to operate as a going concern.

2 Functional and presentation currency

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

2.1 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 2022 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	Indices	Conversion factor
31-December-2022	13,673.00	1.00
31-December-2021	3,977.00	3.44
31-December-2020	2,475.00	5.53

3 Notes to the abridged consolidated financial statements
 for the year ended 31 December 2022

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
3.1 Profit before tax				
Profit before tax is shown after charging/(crediting) the following items:				
Depreciation	1,685,250	739,978	1,348,515	170,294
Staff costs	2,601,239	1,714,061	2,023,751	395,667
3.2 Income tax				
Current tax	(11,450)	(5,256)	(11,450)	(1,529)
Deferred tax	(814,093)	(1,258,007)	(3,017,028)	(421,756)
	(825,543)	(1,263,263)	(3,028,478)	(423,285)
Profit before tax	12,358,208	4,649,722	16,465,503	1,718,541
Tax at standard rate	(3,054,949)	(1,149,411)	(4,070,272)	(424,823)
Effects of expenses not deductible for tax	(7,970)	(27,397)	1,733	(14,789)
Effects of other permanent differences	2,237,376	(86,455)	1,040,063	16,327
	(825,543)	(1,263,263)	(3,028,478)	(423,285)
3.3 Property, plant and equipment				
Movement for the year:				
Balance at the beginning of the period	7,410,742	5,425,955	2,155,790	981,970
Capital expenditure	4,475,758	2,631,544	2,830,016	667,438
Depreciation	(1,685,250)	(739,978)	(1,348,515)	(170,294)
Carrying amount of disposals	(3)	(62,897)	(2)	(16,357)
Revaluation surplus	8,346,867	156,118	14,910,025	693,033
Balance at the end of the period	18,548,114	7,410,742	18,548,114	2,155,790

Land and buildings were revalued at the end of December 2022 by independent professional valuers on the open market basis.

3.4 Investment property

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Movement for the year:				
Balance at beginning of the period	4,920,298	2,230,647	1,431,318	403,695
Land-Additions	166,215	1,367,848	54,498	305,773
Fair Value adjustments	4,250,351	1,321,803	7,746,598	721,850
Disposals during the period	(220,944)	-	(116,494)	-
Balance at end of the period	9,115,920	4,920,298	9,115,920	1,431,318

3 Notes to the abridged consolidated financial statements
 for the year ended 31 December 2022 (continued)

The investment property was revalued at the end of December 2022 by Independent valuers on the open market basis.

3.5 Investments
Balance at the beginning of the year

Movement for the year:

Additions

Disposals

Inflation adjustment

Fair value adjustment

Balance at end of the period

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Balance at the beginning of the year	513,456	896,437	149,365	162,234
Movement for the year:	-	15,103	-	3,902
Additions	-	(1,636,915)	-	(476,180)
Disposals	-	371,891	-	459,409
Inflation adjustment	-	866,940	-	-
Fair value adjustment	(313,458)	-	50,633	-
Balance at end of the period	199,998	513,456	199,998	149,365

3.6 Contracts in progress and accounts receivable

Contract receivables and contract work in progress

Trade receivables

Prepayments

Deposits and other receivables

Less: Allowance for doubtful receivables

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Contract receivables and contract work in progress	22,517,131	13,414,462	22,517,131	3,902,277
Trade receivables	32,553	62,044	32,553	18,049
Prepayments	6,605,200	6,361,795	6,605,200	1,850,651
Deposits and other receivables	9,219	83,372	9,219	24,253
	29,164,103	19,921,673	29,164,103	5,795,230
Less: Allowance for doubtful receivables	(119,024)	(254,557)	(119,024)	(74,051)
29,090,079	19,667,116	29,090,079	5,721,179	

The Company 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.

3.7 Interest bearing borrowings
Current

The short term loans, which have a tenure of 2 years and accrue interest at an effective rate of 10% per annum in USD and 150% per annum in ZWL, represent a reclassification to current liabilities as per IFRS 7. These loans are fully secured against immovable property and a notional general covering bond over moveable assets including a cession of book debts.

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
424,229	1,138,874	424,229	331,299	

3.8 Accounts payable

Trade

Unearned revenue

(Advance receipts from customers)

Contract accruals and other payables

Tax liabilities

Subcontractor liabilities

	Inflation Adjusted		Historical Cost	
	2022 ZWL'000'	2021 ZWL'000'	2022 ZWL'000'	2021 ZWL'000'
Trade	1,090,966	197,137	1,090,966	57,347
Unearned revenue	10,688,302	5,431,420	10,688,302	1,580,004
(Advance receipts from customers)	8,950,176	14,685,000	8,950,176	4,271,877
Contract accruals and other payables	11,449	5,287	11,449	1,539
Tax liabilities	2,833,927	3,161,038	2,833,927	919,548
Subcontractor liabilities	23,574,820	23,479,882	23,574,820	6,830,315

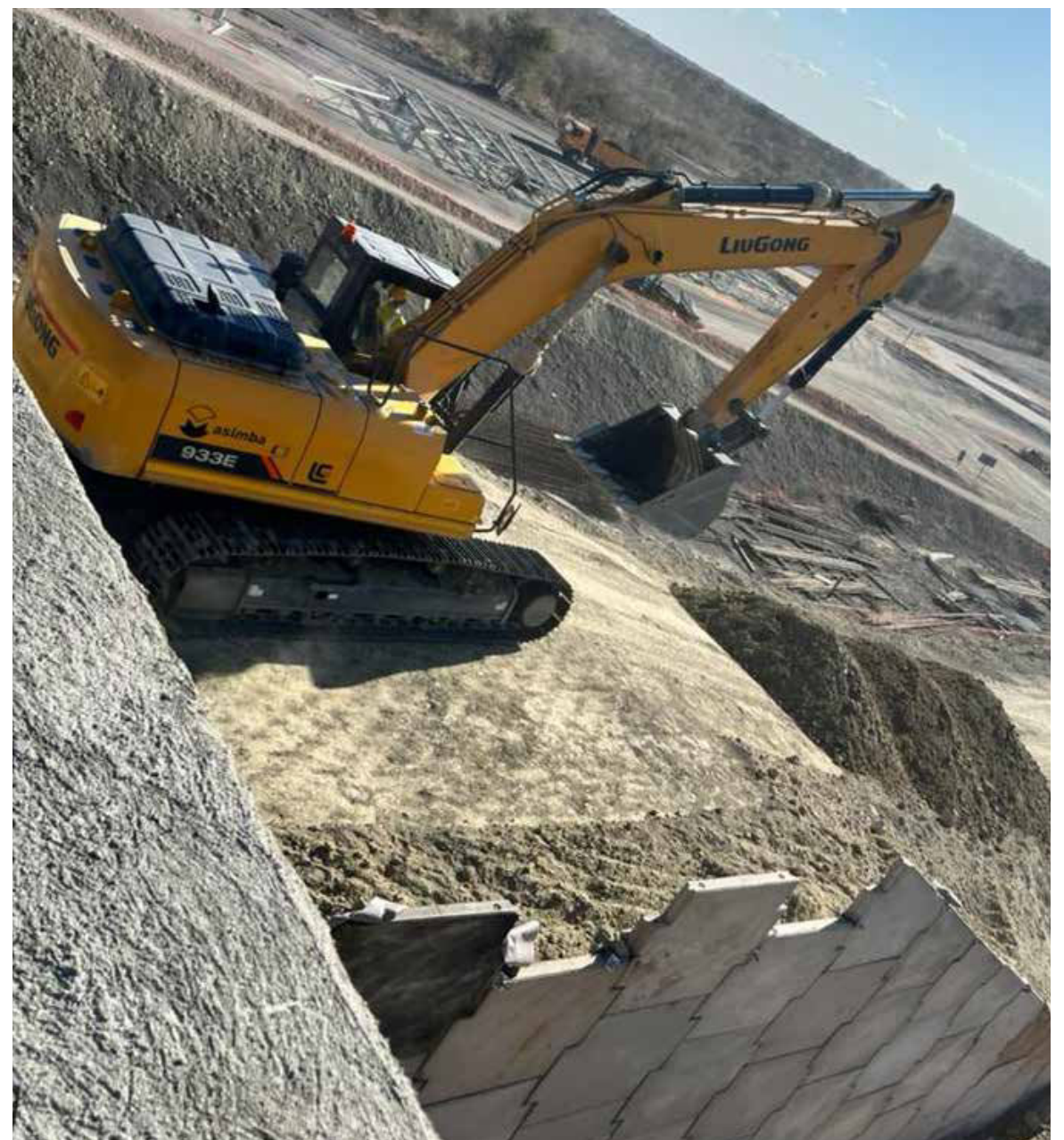
3.9 Contingent liabilities

Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids

16,876,513	7,054,911	16,876,513	7,054,911
-------------------	------------------	-------------------	------------------

3.10 Going concern

In assessing the going concern of the Group, the Directors have taken into account the order book, together with the cashflow forecast for the period of at least 12 months, and concluded that the Group will continue to operate as a going concern. Further, the Directors believe that the preparation of these abridged consolidated financial statements on a going concern basis is still appropriate. However, under the current economic environment, the Directors are of the opinion that a continuous assessment of the ability to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these abridged consolidated financial statements.



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 Consolidated Inflation Adjusted Financial Statements

Qualified Opinion

We have audited the consolidated inflation adjusted financial statements of Masimba Holdings Limited set out on pages 9 to 54, which comprise the consolidated statement of financial position as at 31 December 2022, and 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, except for the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated inflation adjusted financial statements present fairly, in all material respects, the financial position of Masimba Holdings Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates in the prior financial years and International Accounting Standard (IAS) 8 - Accounting Policies, Changes in Accounting Estimates and Errors

During the prior financial years, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank exchange 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 2022.

As the non-compliance with IAS 21 is from prior financial years and there have been no restatements to the prior year financial statements in accordance with IAS 8, some comparative numbers in the financial statements may be misstated. Our opinion on the current year financial statements is modified because of the possible effects of the above matters on the comparability of the current year's figures to corresponding figures of the comparative period. As a result of the residual effects of the non-compliance with IAS 21 and the non-restatement of the comparative figures in accordance with IAS 8, the retained earnings may contain misstatements.

The effects of the above non-compliance with International Financial Reporting Standards were considered to be material but not pervasive to the 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 Annual 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 qualified opinion.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>IFRS 15 - Revenue from Contracts with Customers.</p> <ul style="list-style-type: none"> • There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240 Revised). There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Group. • 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: 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Tested general and application controls around the Group's revenue systems and reviewed the controls over the revenue effects schedule. • 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

<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>contract revenues, contract costs, and the calculation of the stage of completion.</p> <ul style="list-style-type: none"> • 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>
<p>IFRS 9 - Allowance for expected credit losses.</p> <ul style="list-style-type: none"> • This was considered a key audit matter as IFRS 9 is a complex accounting standard which requires significant judgement to determine the impairment reserve. • Key areas of judgement included: <ol style="list-style-type: none"> i. The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Group's expected credit loss model; ii. The identification of exposures with a significant deterioration in credit quality; iii. Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation). 	<p>Our audit procedures in assessing management's allowance for credit losses included the following:</p> <ul style="list-style-type: none"> • We assessed and tested the material modeling assumptions with a focus on the: <ol style="list-style-type: none"> i. Key modeling assumptions adopted by the Group; ii. Basis for and data used to determine debtor's categories; and iii. Reliability of the historical data collected. • We examined a sample of exposures and performed procedures to evaluate the: <ol style="list-style-type: none"> i. Timely identification of exposures with a significant deterioration in credit quality. ii. Expected loss calculation for exposures assessed on an individual basis.

<ul style="list-style-type: none"> • The Group had significant contract receivables as at year end. Total gross receivables amounted to ZWL 22.4 billion. • The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model. • The determination of allowance for credit losses, recovery periods and discount rates involves judgement hence the valuation of trade receivables was a key audit matter. 	<ul style="list-style-type: none"> • Reviewed the assumptions and computations made by management in determining the expected credit losses. • We assessed the accuracy of the disclosures in the financial statements. • Based on our audit work the assumptions used by management the rates calculated were appropriate and reflected the current environment.
--	--

Responsibilities of Management and Those Charged with Governance for the 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 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 judgment 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 entities or 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.

We also provide those charged with governance 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 those charged with governance, 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, except for the effects of the matters described in the Basis for Qualified Opinion, the financial statements have been properly prepared in compliance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

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



Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

30 March 2023