TURNALL HOLDINGS LIMITED

ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2022

REVENUE	LOSS FROM OPERATIONS	LOSS BEFORE TAXATION	TOTAL COMPREHENSIVE INCOME
ZWL '000	ZWL '000	ZWL '000	ZWL '000
8,401,254	630,695	3,697,092	2,634,929

Chairman's Statement

Operating Environment

The year under review saw a national deepening economic crisis, characterized by foreign currency shortages, a rapidly depreciating local currency, runaway inflation which soared to 243.8% by December 2022 up from 60.74% in December 2021, as well as global supply chain disruptions because of the Russia/Ukraine conflict that began in February 2022. Borrowing costs were prohibitive particularly on local currency with interest rates going up to as high as 215% per annum. Consequently, businesses had to look for alternative sources of funding to continue operations with largely no credit terms being offered on local currency purchases by suppliers.

In response, the Government introduced a number of measures to ease demand for the USD. These included introduction of gold coins as a form of savings, and severe curtailment of progress payments for Government construction projects.

These measures helped to stabilize the parallel market exchange rates and general price increases in the economy up to year end. However, demand for our products remained weak due to liquidity challenges arising from shortages of local currency during the second half of the year. All these factors negatively impacted on the Group's performance for 2022.

Economic performance is expected to remain depressed due to the current liquidity challenges and pricing distortions prevailing in the economy. The Russia-Ukraine conflict will also compound and exacerbate these challenges due to imported inflation as well as continued disruptions in supply chain logistics for key raw materials.

On a positive note, Covid-19 cases have continued to decline during the period under review prompting the government to ease the Covid-19 related restrictive measures.

Financial Performance

The Group's turnover for the year ended 31 December 2022 was $8.4 billion in inflation-adjusted terms compared to $7.25 billion in the previous year representing a 16% growth in spite of a 29% reduction in sales volumes . In historical terms, revenue was $5.8 billion which was a 240% growth from last year. The sales performance was mainly driven by a deliberate move to focus on the high value but low tonnage products. However, the liquidity challenges and low aggregate demand prevailing in the economy hampered the Group's efforts to realize its full potential.

The inflation-adjusted gross profit for the year under review was 31% compared to 41% achieved last year. The margins were under pressure due to official and alternative market exchange rate disparities whose negative impact on the cost of doing business could not always be sustainably recouped through selling price adjustments. Consequently, the cost of goods sold went up by 35%, whilst revenue grew by 16%. The gross profit in historical terms, however, was 50% compared to 39% reported in the same period last year.

The inflation-adjusted operating expenses to sales ratio was at 52% compared to 23% in the prior year and in historical terms was 60% compared to 22% recorded last year. This sharp increase is attributable to substantial non-recurring employee terminal benefits amounting to ZWL1 224 702 099 which were provided for during the year. There was also a general increase in the prices in the economy as evidenced by the hyper-inflationary environment but this was significantly mitigated through cost containment measures put in place by management.

Other income increased by 1,201% to $1.1 billion in inflation-adjusted terms due mainly to a fair value gain on financial assets of $462 million and exchange gains of $505 million.

All these factors culminated in the Group incurring an operating loss of $630.7 million in inflation-adjusted terms in the current year which was a 145% reduction compared to the prior year. In historical terms, the operating profit went up by 21%.

In the year under review, the company incurred a loss on the net monetary position of $3.1 billion as compared to a gain of $308 million in the same period last year as a result of the movements in the Consumer Price Index (CPI) which increased by 244% in comparison with the previous year. Consequently, the group made a loss before taxation of $3.7 billion.

Cash generated from operating activities was $592.4 million representing 2% decrease compared to same period last year. In historical terms, cash generated from operating activities was $492.9 billion compared with $177 million generated last year. The company continued to invest in working capital in order to preserve value in this hyperinflationary environment.

Capital expenditure for the period was $622.5 million compared to $60.2 million spent last year and this was mainly aimed at improving production efficiencies. An AC Plant with a value of ZWL798.9 million was impaired during the year and will be replaced by the latest state of the art plant which will be commissioned in Harare in 2024 as part of the company's recapitalization programme.

The company had no borrowings during the period under review. All capital requirements were funded from internally generated resources.

Sustainability Performance

We continue to apply an integrated approach in managing our sustainability impacts and opportunities. The company adopted the Global Reporting Initiatives (GRI) Sustainability Reporting Framework as a business model in addressing and managing economic, environmental, social and governance aspects of our operations.

Legislative Environment

Turnall Holdings Limited has continued to uphold its ISO14001 and ISO9001 certification. We continue to comply with relevant legislative requirements of the Environmental Management Act, Labour Act, Companies Act and other related legislations.

Prospects

Despite the challenging business environment, the Group has embarked on a major capital expenditure programme aimed at restoring fibre cement production in Harare and introducing production of GRP pipes in order to take advantage of this fast growing local and regional market. Production of IBR sheeting is to be expanded and the roof tile line will be refurbished. A significant investment is also being made in the Bulawayo plant aimed at production of New Tech fibre cement sheeting mainly for the export market. The completely new sheeting line for Harare will utilise the latest technology with the aim of improving production efficiencies and reducing costs.

Although payments for these projects will largely be made in 2023, the main production lines are expected to become operational in 2024. The Board and management are confident that these investments will deliver substantial benefits including increased revenue and profitability, an increase in exports and a sustainable improvement in quality and production efficiency.

Directorate

During the course of the year, Mr. Innocent Chinyama, Mr. Munyaradzi Gwanzura and Mrs. Portia Marufu resigned from the Board of Directors. Consequent to this, Mr. Grenville Hampshire and Mr. John Mkushi were appointed as non-executive directors of the Board of directors. In addition, Mr. Bothwell Nyajeka resigned as Chairman of the Board of Directors and remained as a non-executive member of the Board, whilst Mr. John Mkushi was appointed as Chairman of the Board of Directors.

Subsequent to year end, Mr. Zvidzayi Bikwa left Turnall Holdings Limited to pursue personal interests. Consequently, Mr. John Mkushi stepped down as Chairman of the Board of Directors and took up the position of Acting Managing Director and Mr. Hampshire was appointed Chairman of the Board of Directors.

Dividend

The directors have resolved that there will not be any dividend declared in respect of the financial year under review due to the major projects that the Group is undertaking in an effort to retool the factories.

Appreciation

I would like to express my appreciation to all our stakeholders, fellow board members, management and staff for your continued support to the group.

By Order of the Board

G. H Hampshire

Grenville Hampshire
Board Chairman

23 March 2023

Abridged Consolidated Statement of Profit and Loss and other comprehensive income for the year ended 31 December 2022

	Inflation Adjusted		*Historical Cost	
	31.12.2022 ZWL	31.12.2021 ZWL	31.12.2022 ZWL	31.12.2021 ZWL
Revenue	8,401,254,104	7,250,004,982	5,838,892,428	1,716,246,503
Cost of sales	(5,759,956,159)	(4,263,800,871)	(2,941,531,378)	(1,049,715,116)
Gross profit	**2,641,297,945**	**2,986,204,111**	**2,897,361,050**	**666,531,387**
Other income	1,072,481,769	82,404,437	946,325,380	17,325,997
Selling and distribution expenses	(930,917,828)	(654,282,485)	(645,370,784)	(154,834,972)
Administrative expenses	(3,413,557,161)	(1,022,546,223)	(2,831,514,224)	(226,697,472)
(Loss)/profit from operating activities	**(630,695,275)**	**1,391,779,840**	**366,801,422**	**302,324,940**
Finance costs	(2,603,243)	(5,540,345)	(965,015)	(1,306,582)
(Loss)/gain on net monetary position	(3,063,793,207)	308,659,142	-	-
(Loss)/profit before taxation	**(3,697,091,725)**	**1,694,898,637**	**365,836,407**	**301,018,358**
Income tax expense	(146,884,627)	(243,585,736)	(121,938,128)	(94,877,106)
(Loss)/profit for the year	**(3,843,976,352)**	**1,451,312,901**	**243,898,279**	**206,141,252**
Other comprehensive income / (loss) - net of income tax				
Revaluation of property, plant and equipment	6,478,905,797	-	10,581,175,341	-
Total comprehensive income for the year	**2,634,929,445**	**1,451,312,901**	**10,825,073,620**	**206,141,252**
			-	-
Earnings per share				
Number of shares in issue	493,040,308	493,040,308	493,040,308	493,040,308
Hedline earnings per share	(616.35)	296.65	210.82	42.44
Basic and diluted (cents per share)	(779.65)	294.36	49.47	41.81

The historical cost amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

Abridged Consolidated Statement of Financial Position as at 31 December 2022

	Inflation Adjusted		*Historical Cost	
	as at 31.12.2022 ZWL	as at 31.12.2021 ZWL	as at 31.12.2022 ZWL	as at 31.12.2021 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment	14,996,719,287	9,590,255,028	14,551,582,794	386,480,211
Right of use asset	35,628,546	-	11,161,116	-
Investment property	470,000,000	66,322,666	470,000,000	250,812
Investment in financial assets	477,902	1,560,360	477,902	454,018
Deferred taxation	159,282,807	35,182,506	159,283,849	10,237,049
Total non-current assets	**15,662,108,542**	**9,693,320,560**	**15,192,505,661**	**397,422,090**
Current assets				
Inventories	2,269,772,195	3,286,783,446	885,161,440	242,688,503
Trade and other receivables	1,315,844,461	919,127,941	1,150,507,459	258,349,970
Cash and cash equivalents	411,060,901	569,487,333	411,060,901	165,703,658
Total current assets	**3,996,677,557**	**4,775,398,720**	**2,446,729,800**	**666,742,131**
Total assets	**19,658,786,099**	**14,468,719,280**	**17,639,235,461**	**1,064,164,221**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	1,051,440,464	1,051,440,464	4,930,403	4,930,403
Share premium	38,793,063	38,793,063	181,908	181,908
Non-distributable reserve	1,632,529,440	1,632,529,440	7,655,239	7,655,239
Revaluation reserve	10,872,146,216	4,393,240,419	10,872,146,216	290,970,875
(Loss)/retained earnings	(314,119,175)	3,628,808,247	501,427,960	277,823,793
Total equity	**13,280,790,008**	**10,744,811,633**	**11,386,341,726**	**581,562,218**
Non-current liabilities				
Lease liability	5,903,719	-	5,903,719	-
Deferred taxation	3,686,262,562	2,377,782,863	3,561,160,206	91,514,156
Total non-current liabilities	**3,692,166,281**	**2,377,782,863**	**3,567,063,925**	**91,514,156**
Current liabilities				
Trade and other payables	2,471,415,734	999,345,914	2,471,415,734	290,185,642
Current tax liabilities	209,871,937	346,778,870	209,871,937	100,902,205
Lease liability	4,542,139	-	4,542,139	-
Total current liabilities	**2,685,829,810**	**1,346,124,784**	**2,685,829,810**	**391,087,847**
Total equity and liabilities	**19,658,786,099**	**14,468,719,280**	**17,639,235,461**	**1,064,164,221**

The historical cost amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

TURNALL HOLDINGS LIMITED

ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Inflation adjusted		*Historical Cost	
	31.12.2022 ZWL	31.12.2021 ZWL	31.12.2022 ZWL	31.12.2021 ZWL
(Loss)/Profit before income tax	**(3,697,091,725)**	1,694,898,637	365,836,407	301,018,358
Adjustment for:				
Depreciation of property, plant and equipment	534,428,909	531,309,067	27,148,843	21,178,316
Depreciation of investment property	252,624	252,624	4,995	4,995
Amortisation of financial assets	(23,884)	(71,523)	(23,884)	(20,811)
Amortisation of right of use asset	4,239,361	-	2,739,192	-
Investment Property fair value gains	(213,677,334)	-	(462,116,117)	-
Impairment of Property, Plant and Equipment	-	-	5,998,060	-
Finance costs	2,603,243	5,540,345	965,015	1,306,582
Profit from disposal of property, plant and equipment	-	(1,837,028)	-	(384,365)
Adjustment of movement in non monetary items	3,063,793,207	(308,659,142)	-	-
Effects of inflation	(1,044,969,932)	317,555,618	-	-
Operating cash flows before working capital changes	**(1,350,445,531)**	**2,238,988,598**	**(59,447,489)**	**323,103,075**
Movement in working capital				
Increase in trade and other receivables	(396,716,520)	(226,645,106)	(892,157,489)	(134,187,067)
Decrease / (increase) in inventories	1,017,011,251	(1,088,896,133)	(642,472,937)	(83,906,165)
Increase/(decrease) in trade and other payables	1,472,069,820	(68,483,605)	2,181,230,092	116,439,033
Operating cash flows after working capital changes	**741,919,020**	**854,963,754**	**587,152,177**	**221,448,876**
Tax paid	(146,884,626)	(243,585,736)	(164,444,603)	(43,434,426)
Interest paid	(2,603,243)	(5,540,345)	(965,015)	(1,306,582)
Net cash flows generated from operating activities	**592,431,151**	**605,837,673**	**421,742,559**	**176,707,868**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	2,078,873	-	437,201
Acquisition of property, plant and equipment	(622,484,464)	(60,170,233)	(152,636,754)	(11,460,912)
Acquisition of right of use asset	(39,867,907)	-	(13,900,308)	-
Net cash flows used in investing activities	**(662,352,371)**	**(58,091,360)**	**(166,537,062)**	**(11,023,711)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in loans and borrowings	-	(17,345,245)	-	(3,139,841)
Payment of lease liabilities	10,445,858	-	10,445,858	-
Dividend Paid	(98,951,070)	(61,708,874)	(20,294,112)	(15,086,619)
Net cash flows utilised in financing activities	**(88,505,212)**	**(79,054,119)**	**(9,848,254)**	**(18,226,460)**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(158,426,432)**	**468,692,194**	**245,357,243**	**147,457,697**

The historical cost amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

Abridged Consolidated Statement of Changes in Equity for the year ended 31 December 2022

Inflation adjusted

	Share capital ZWL	Share premium ZWL	Non-distributable reserve ZWL	Revaluation reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2021	1,051,440,464	38,793,063	1,632,529,440	4,393,240,419	2,239,204,220	9,355,207,606
Total comprehensive income for the year					1,451,312,901	1,451,312,901
Dividend Paid					(61,708,874)	(61,708,874)
Balance at 31 December 2021	1,051,440,464	38,793,063	1,632,529,440	4,393,240,419	3,628,808,247	10,744,811,633
Total comprehensive income for the year	-	-	-	6,478,905,797	(3,843,976,352)	2,634,929,445
Dividend Paid					(98,951,070)	(98,951,070)
Balance at 31 December 2022	1,051,440,464	38,793,063	1,632,529,440	10,872,146,216	(314,119,175)	13,280,790,008

*Historical Cost

	Share capital ZWL	Share premium ZWL	Non-distributable reserve ZWL	Revaluation reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2021	4,930,403	181,908	7,655,239	290,970,875	86,769,160	390,507,585
Total comprehensive income for the year	-	-	-		206,141,252	206,141,252
Dividend Paid					(15,086,619)	(15,086,619)
Balance at 31 December 2021	4,930,403	181,908	7,655,239	290,970,875	277,823,793	581,562,218
Total comprehensive income for the year				10,581,175,341	243,898,279	10,825,073,620
Dividend Paid					(20,294,112)	(20,294,112)
Balance at 31 December 2022	4,930,403	181,908	7,655,239	10,872,146,216	501,427,960	11,386,341,726

The historical cost amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

Supplementary Information

1. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB).The accounting policies are applied consistently throughout the Group. The consolidated financial statements are presented in Zimbabwean dollars (ZWL) .

The consolidated financial statements are initially prepared under the historical cost convention and restated for the changes in the general purchasing power of the functional currency for the purposes of fair presentation in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies). This historical cost information has been restated for changes in the general purchasing power of the Zimbabwe dollar and as a result are stated in terms of the measuring unit current at the end of the reporting period. Accordingly, the inflation adjusted consolidated financial statements represent the primary financial statements of the Group, the Historical Consolidated Statement of profit or Loss and other comprehensive income and Consolidated Statement of financial position have been included only as supplementary information.

2. Inflation Adjusted

The Public Accountants and Auditors Board (PAAB) in their circular 01/19 communicated that the factors and characteristics to apply IAS 29, Financial Reporting in Hyper-Inflationary Economies had been met in Zimbabwe. The pronouncement require that entities reporting in Zimbabwe apply the requirements of IAS 29 with effect from 1 July 2019.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for the previous period be stated in the same terms. The restatement has been calculated by means of conversion factors derived from the Consumer Price Index as published by the Reserve Bank of Zimbabwe. The following factors were applied:

	Index	Conversion factor
CPI as at 31 December 2022	13,669.8	1.00
CPI as at 31 December 2021	3,977.5	3.44
CPI as at 31 December 2020	2,474.5	5.52

3. Accounting policies and reporting currency

The measurement of the investment property was changed from the cost model to the revaluation model which gives a more appropriate presentation in this hyperinflationary environment. However, all other company accounting policies remained unchanged since the date of the last consolidated financial statements. The financial statements are presented in ZWL for the current year which is the functional currency of the company and are rounded to the nearest dollar ($) unless otherwise indicated.

4. Provisions

Substantial non-recurring employee terminal benefits amouting to ZWL1 224 702 099 were provided for during the year and are inluded in administration expenses.

5. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 were approved by the board on 23 March 2023.

AUDITOR'S STATEMENT

These abridged consolidated financial results derived from the audited inflation-adjusted consolidated financial statements of Turnall Holdings Limited for the financial year ended 31 December 2022, should be read together with the complete set of audited consolidated inflation-adjusted 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 for the year then ended. The qualified opinion was made regarding non-compliance with the requirements of the following:

- International Accounting Standard (IAS) 21 - The Effects of Changes in Foreign Exchange Rates;
- International Accounting Standard (IAS)8 - Accounting Policies, Changes in Accounting Estimates and errors.
- International Financial Reporting Standard (IFRS) 13 – Fair Value Measurement with respect to fair valuation of Property, Plant and Equipment.

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 consolidated inflation-adjusted consolidated financial statements. The key audit matter was with respect to revenue recognition. The auditor's opinion is not modified in respect of this matter.

The auditor's report on the inflation-adjusted consolidated financial statements and the full set of the audited consolidated inflation-adjusted consolidated 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.

Grant Thornton

Turnall Holdings Limited

Annual Financial Statements

31 December 2022

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements for the year ended 31 December 2022

It is the Directors' responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Group. The external auditors are responsible for independently reviewing and reporting on the consolidated financial statements.

The Directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of these consolidated financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group 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 consolidated financial statements.

The consolidated financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

The Conceptual Framework for Financial Reporting requires that in applying fair presentation of consolidated financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its consolidated financial statements. This standard also requires an entity to make certain judgments, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

The requirement to comply with Statutory Instrument (S.I) 33 of 2019 as enacted by the Finance Act No. 2 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the Conceptual Framework for Financial Reporting. This has resulted in the adoption of the accounting treatment in the prior year's consolidated financial statements, which deviates from that which would have been applied if the Group had been able to fully comply with IFRS.

The Directors carried out an impact on the effect of Covid 19 on the Group's operations and income streams and came to a conclusion that the impact is not material to affect the ability of the Group to continue as a going concern for the twelve months.

The Group's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based

The Group's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Group's consolidated financial statements which are set out on pages 9 to 62 were, in accordance with their responsibilities, approved by the Board of Directors on .... 2023 and are signed on its behalf by:

…………………..................	....
G. Hampshire	J. Mkushi
Chairman	**Non- Executive Director**

These consolidated financial statements were prepared under the supervision of:

…………………………

Cynthia Mahari

Finance Executive

Registered Public Accountant (PAAB Number 04866)

The Group's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Group's consolidated financial statements which are set out on pages 9 to 62 were, in accordance with their responsibilities, approved by the Board of Directors on .... 2023 and are signed on its behalf by:

…………………..................	....
G. Hampshire	J. Mkushi
Chairman	**Non- Executive Director**

These consolidated financial statements were prepared under the supervision of:

…………………………..
Cynthia Mahari
Finance Executive
Registered Public Accountant (PAAB Number 04866)

INDEPENDENT AUDITOR'S REPORT

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To the members of Turnall Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Turnall Holdings Limited set out on pages 9 to 62, 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 statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the financial position of Turnall Holdings Limited 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 consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the consolidated 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 consolidated financial statements in accordance with IAS 8, some comparative numbers in the consolidated financial statements may be misstated. Our opinion on the current year consolidated 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 accumulated loss 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 consolidated financial statements.

Valuation of property, plant and equipment

The determination of fair values for property, plant and equipment presented in the consolidated financial statements is affected by the prevailing economic environment. These consolidated financial statements include property, plant and equipment that was revalued by independent professional valuers as at 31 December 2022. The property, plant and equipment valuations were determined in USD and then translated to ZWL at the interbank foreign exchange rate as at 31 December 2022.

Although the determined USD values reflect the fair value of the property, plant and equipment in USD, the converted ZWL fair 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.

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 the opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements:

Areas of focus	How our audit addressed the key audit matter
Revenue recognition • 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. This is a significant risk and accordingly a key audit matter.	Our audit procedures incorporated a combination of tests of the Group's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following: • Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Tested design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the revenue recognition is appropriate.

Other information

The Directors are responsible for the other information. The other information comprises the 'Corporate information', 'Directors' responsibility for financial reporting', 'historical cost information' and 'Group statements', which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements have been properly prepared in compliance with the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the relevant Statutory Instruments.

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

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

30 March 2023

HARARE