



ANNUAL
REPORT
2014



FIRM ROOTS . NEW FRONTIERS .

Contents

Group Overview

Company Profile and Nature of Business	2
Group Structure	3
Financial Highlights	4
Five Year Review	5
Ratios and Statistics	6
Statement of Value Created	7

Corporate and Leadership

Chairman's Statement	8
Chief Executive's Report	10
Mission and Values	12
Company Directorate	14

Governance

Company Directorate, Executive Committees and Corporate Governance	15
Record of Attendance	17

Financial Reporting

Directors' Report	18
Report of the Independent Auditors	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Profit or Loss and other Comprehensive Income	23
Consolidated Statement of Changes in Equity	24
Consolidated Statement of Cash Flows	25
Accounting Policies	26
Notes to the Consolidated Financial Statements	37
Masimba Holdings Limited Company Financial Statements	54
Notes to the Company Financial Statements	58

Administration

Shareholders' Analysis	59
Notice to Shareholders	60
Shareholders' Diary	61
Proxy Form	62



Company Profile and Nature of Business

Masimba Holdings Limited, and its subsidiaries, is a well established and leading Zimbabwean contracting and industrial Group providing innovative engineering and infrastructure client solutions. It has been listed as a public company on the Zimbabwe Stock Exchange since 1974.

The Group has three (3) operating segments: Masimba Construction Zimbabwe, Proplastics and Property Development.

Masimba Construction Zimbabwe

The Contracting division is a dominant player in Civil Engineering and Building Construction works, having completed significant projects in the country and the region. The division also specialises in concrete structures for major water, mining and agricultural projects. Masimba is recognised as the leading concrete dam and canal contractor in Zimbabwe.

The division also boasts of a structural steel fabrication plant, which has a fabrication capacity of +/-150 tonnes per month, and is considered as one of the major fabricators in Zimbabwe.

The contracting operations form a portfolio of complementary competencies allowing the entity to undertake turnkey contracting activities.

Proplastics

The Manufacturing division produces and distributes a wide range of Plastic piping systems for different markets, supplying the local and regional markets.

Proplastics is Zimbabwe's leading plastic pipe manufacturer, specializing in the manufacturing



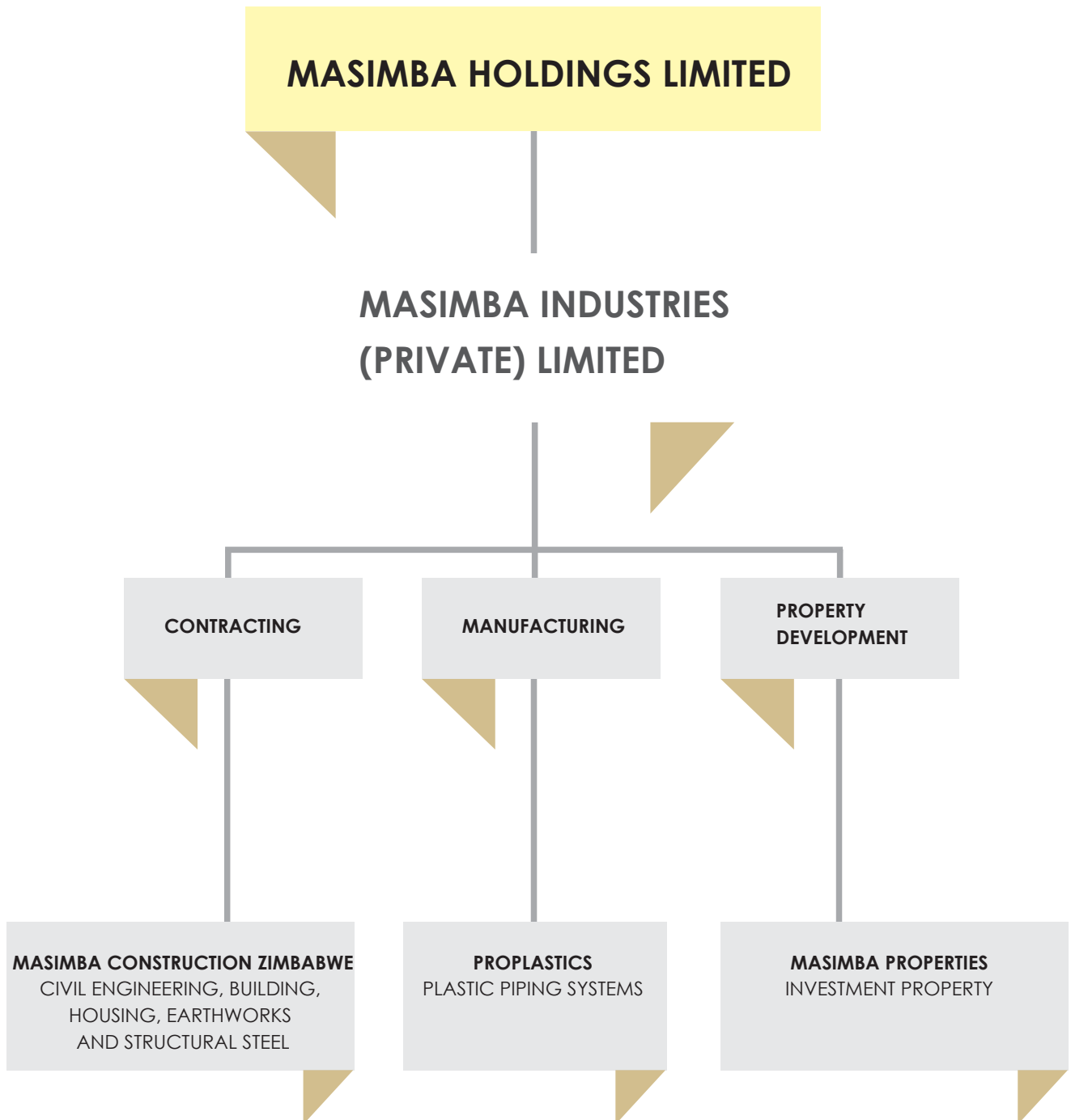
of Polyvinyl Chloride (PVC), High-Density Polyethylene (HDPE) and Low-Density Polyethylene (LDPE) pipes and related fittings for various applications in irrigation, water and sewer reticulation, mining, telecommunications and building construction.

Established in 1965, the division has amassed years of experience in the industry and has grown and evolved on the back of its philosophy of continuous improvement to become the leading player in Zimbabwe.

Proplastics is a member of the Southern African Plastic Pipe Manufacturers Association (SAPPMA). Being a SAPPMA member provides Proplastics' customers with an additional safeguard against substandard quality or questionable ethics. SAPPMA's purpose is to create absolute consumer confidence within the Plastic Pipe Industry and to ensure the long term health and sustainability of high quality plastic pipes and pipe systems.

The competence of Masimba Holdings Limited is built around its broad base of management skills, enhanced by the financial, commercial, marketing and human resource capabilities of the entity.

GROUP STRUCTURE



FINANCIAL HIGHLIGHTS

Group summary

Revenue (US\$)

(Loss)/profit before interest and tax (US\$)

Loss for the year/period

Total assets

Value created (US\$)

Payroll costs (US\$)

Cash generated by operations (US\$)

Total number of employees

Ordinary shares performance (US cents)

Basic loss per share

Diluted loss per share

Cash equivalent earnings per share

Market price per share

Financial statistics

(Loss)/profit before tax on revenue (%)

Return on average capital employed (%)

	12 months to 31 December 2014	18 months to 31 December 2013
	28,176,959	62,314,449
	(207,131)	972,891
	(552,423)	(60,412)
	33,969,181	37,450,369
	5,066,720	10,130,077
	3,073,691	6,350,963
	2,806,413	986,285
	645	1,000
	(0.25)	(0.03)
	(0.25)	(0.03)
	0.78	1.58
	2.30	6.50
	(2.32)%	0.72%
	(1.02)%	(0.30)%

FIVE YEAR REVIEW

(continuing operations only)

Summarised income statements ('000)

Revenue

EBITDA** and fair value adjustments

Fair value adjustment on investment property

Depreciation

(Loss)/profit before interest and tax

Net interest (paid)/received

(Loss)/profit before tax

Taxation

(Loss)/profit attributable to ordinary shareholders

Summarised statements of financial position

Non-current assets

Current assets

Equity and reserves

Non-current liabilities

Current liabilities

Net debt

	2014 US\$	2013* US\$	2012 US\$	2011 US\$	2010 US\$
Revenue	28,177	62,314	43,019	35,624	18,085
EBITDA** and fair value adjustments	1,698	4,298	2,204	2,466	147
Fair value adjustment on investment property	(25)	(357)	1,362	291	-
Depreciation	(1,880)	(2,968)	(1,744)	(1,262)	(1,049)
(Loss)/profit before interest and tax	(207)	973	1,823	1,495	(902)
Net interest (paid)/received	(448)	(521)	(176)	(84)	73
(Loss)/profit before tax	(655)	452	1,647	1,411	(829)
Taxation	103	(512)	(347)	(275)	759
(Loss)/profit attributable to ordinary shareholders	(552)	(60)	1,300	1,136	(70)
Summarised statements of financial position					
Non-current assets	16,551	17,370	18,974	15,165	14,262
Current assets	17,419	20,081	19,297	16,491	9,099
Equity and reserves	20,112	20,594	19,270	17,826	16,548
Non-current liabilities	2,824	3,409	2,896	1,991	1,720
Current liabilities	11,034	13,447	16,105	11,838	5,093
Net debt	1,583	3,650	3,112	1,600	567

*Financial period is 18 months

**EBITDA-Earnings before interest, taxation, depreciation, impairment and amortisation

RATIOS AND STATISTICS

6

Earnings (US cents)

Basic loss per share	(0.25)	(0.03)
Headline loss per share	(0.25)	(0.01)
Diluted loss per share	(0.25)	(0.03)
Cash equivalent earnings per share (US cents)	0.78	1.58

Profitability

(Loss)/profit before interest and tax on turnover (%)	(0.74)%	1.56%
(Loss)/profit before interest and tax on average capital employed excluding cash (%)	(1.13)%	4.67%
(LAT)/PAT on average ordinary shareholders' funds (%)	(1.02)%	0%

Productivity

Payroll cost on turnover (US cents)	10.91%	10.19%
Total average assets (excluding bank balances and cash) (US\$)	1.20	1.64
Value created (US\$)	5,066,720	10,130,077
Value ratio	1.70	1.60

Finance

Debt to equity	7.87%	17.72%
Current assets to current liabilities	1.58	1.49

Share Performance

Ordinary shares in issue (millions)	220.5	220.5
Share price at period end (US cents)	2.30	6.50
Market capitalisation (US\$ millions)	5.07	14.30

Other

Number of employees at period end	645	1,000
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Definitions

Average
Capital employed
Cash equivalent earnings
Earnings per ordinary share

PAT
LAT
PBIT
PBT
Net asset value
Permanent capital
Total liabilities
Value ratio

Arithmetic average between consecutive year ends
Permanent capital, long term loans and deferred tax
PAT adjusted for the effects of non-cash items
Earnings after tax net of non-operating items, divided by the weighted average ordinary shares in issue
Profit after tax attributable to ordinary shareholders
Loss after tax attributable to ordinary shareholders
Profit before interest and tax
Earnings before taxation
Ordinary shareholders' funds
Ordinary shareholders' funds
Borrowings and non-interest bearing debt
Value created as a multiple of payroll cost

*Non-operating items are excluded when computing these statistics.

STATEMENT OF VALUE CREATED

FOR THE YEAR ENDED 31 DECEMBER 2014

Revenue

Less cost of materials, services and sub-contracts

Investment and other income

Value created

Distributed as follows:

To employees:

Payroll cost

To providers of finance:

Interest paid

To Government:

Company tax

Retained in the business

To fund expansion-retained loss

To replace assets-depreciation

	12 months to 31 December 2014	18 months to 31 December 2013
	US\$	US\$
	28,176,959	62,314,449
	(23,417,707)	(52,812,300)
	<hr/>	<hr/>
	4,759,252	9,502,149
	307,468	627,928
	<hr/>	<hr/>
	5,066,720	10,130,077
	<hr/>	<hr/>
	3,073,691	6,350,963
	482,290	555,004
	182,922	316,402
	1,327,817	2,907,708
	(552,423)	(60,412)
	1,880,240	2,968,120
	5,066,720	10,130,077
	<hr/>	<hr/>

CHAIRMAN'S STATEMENT

INTRODUCTION

It is my pleasure to present to you the financial results for the year ended 31 December 2014, albeit at a most difficult time in the history of the country.

OPERATING ENVIRONMENT

During the year under review the economy continued on a downward spiral which, coupled with the persistent liquidity challenges, had a negative impact on the business operations. The economic environment deteriorated further in the second half of the year and had an adverse impact particularly on the Contracting division.

Despite these challenges the Board's long-term view remains optimistic. The Board will continue to focus on growth areas in infrastructure development covering mining, water & energy, irrigation & agriculture, roads & transport and housing. This strategic thrust is in line with the company's vision to be the market leader in infrastructure development in Zimbabwe.

Notwithstanding the Government's precarious financial situation, I am pleased to advise that significant progress was made towards resolution of the long outstanding debt owed by the different Government departments. During the year an amount of \$3,447,652 was received from Government debtors and the Board is optimistic that the balance of \$2,256,575 will be paid in 2015. As a consequence of this development, the Group's bank borrowings were reduced by \$2,066,665 to \$1,583,334.

Proplastics' trading volumes were maintained at prior year levels despite the one month production lost towards the end of the year following a fire outbreak at the Ardbennie factory premises. The fire interrupted power and other services supply facilities to the Extrusion and Injection Moulding factories. Proplastics' strategy in 2014 was focused on product expansion, credit risk and driving cost competitiveness. In this regard, the division recorded improved margins and in November 2014 successfully launched the 400mm HDPE line which will significantly improve the capacity in the Manufacturing unit.

The Contracting division, Masimba Construction, was the most affected by the current negative economic conditions as Government, the major driver of the infrastructure projects, lacked financial capacity to complete and undertake major infrastructure developments. The segment's order book was mainly driven by the housing, telecommunications and mining sectors. The projects in these sectors continued to be short term and of lower monetary levels. Construction



capacity utilisation remained subdued at less than 25%. The continued lack of clarity and at times perceived punitive policies on the mining sector and the low commodity prices have delayed mining expansion projects in which Masimba Construction is a significant contracting player.

GROUP PERFORMANCE

Group revenue for the year was at \$28,176,959 compared to \$62,314,449 for the eighteen (18) months period ended 31 December 2013. The revenue performance was weighed down by the Contracting division which continued to be adversely affected by the negative economic environment. During the period, Contracting revenue contribution to Group turnover declined to 53% from 64% in the comparative period. The Group gross profit margins improved to 19% (2013 :17%) and this is mainly attributable to the Board's focus on productivity and cost containment strategies. The Group recorded EBITDA of \$1,673,109 representing 6% (2013 :6%) of Turnover.

The Board will continue to closely monitor the operating environment that has become increasingly unpredictable and the key focus areas will be productivity, cost containment and cash preservation.

PROSPECTS

For several years Masimba has been underpinned by two distinct strategic business units focused on Contracting and Manufacturing. The business environment that has prevailed since 2009 has diminished the synergies that previously existed between these two businesses. The Board has considered the situation and is firmly convinced that there is considerable value to be unlocked in pursuing the Contracting and Manufacturing strategies through two independently managed businesses.

Accordingly, the Board has decided that a strategy to separate the two divisions into two separately listed companies will benefit Shareholders by making it easier to attract capital for their separate growth profiles and enable both companies to strategically position themselves in line with their core businesses.

The Board believes that once unbundled into two separate entities, Masimba and Proplastics will be able to attract capital focused on each business unit. Following the appointment of new boards to supervise the affairs of the unbundled entities, the Board believes the new boards will have focused mandates to enable ease of strategy formulation, execution and oversight.

The Civil Engineering and Construction operations will be the remaining operational business units in Masimba. The Board believes, post the unbundling, the Civil Engineering and Construction operation will be more focused and competitive. Meanwhile Proplastics has identified local and regional growth opportunities that may involve strategic alliances which the Directors believe will be easier to execute in a stand-alone entity.

The details of the proposed unbundling will be contained in a Circular to Shareholders to be distributed in May 2015 upon receipt of the requisite regulatory approvals. Masimba Construction is also in the process of consummating a new joint venture arrangement with Kosto Holdings Limited, a company incorporated in Mauritius, to establish a new reinforcement steel cutting and bending company.

Kosto Holdings is part of the Reinforced Steel Contractors (RSC) group of South Africa and the new business venture will be trading under the RSC flagship. RSC is South Africa and the region's leading manufacturer of reinforcement steel (rebar and mesh). The new joint venture will enjoy significant forward linkages with Masimba Construction and will be able to exploit supply opportunities in the informal sector.

Masimba Construction will also leverage on its extensive property portfolio, particularly its undeveloped land bank in major urban areas such as Harare, to develop and sell mixed-use development projects to the public.

Demand for Proplastics' products is forecast to remain firm, driven by the

urban sanitation rehabilitation programs, irrigation & agriculture and the buoyant housing developments. The HDPE plant launched in November 2014 will further increase the product offering to the local and export mining sectors. The Proplastics' plant modernisation program will this year also see the commissioning of additional new state of the art equipment that will further improve product range and efficiencies.

In addition to the strategies outlined above, the Board will continue to closely monitor the operating environment that has become increasingly unpredictable and the key focus areas will be productivity, cost containment and cash preservation.

DIVIDEND DECLARATION

In order to operationalise and effect the proposed unbundling strategy outlined above, the Board resolved to declare a dividend in specie equivalent to the Proplastics net asset value of \$8,483,393. The details of the proposed dividend will be communicated to Shareholders in a circular to be distributed in May 2015, subject to receiving the requisite regulatory approvals. An Extraordinary General Meeting (EGM) will accordingly be convened at a date to be announced to consider and if deemed appropriate approve the proposed dividend.

DIRECTORATE

There were no changes to the Board of the Company in the year under review. It is envisaged that as part of the unbundling process there will be some changes in the directorate of the Company. Details of these changes will be included in the Circular to Shareholders as highlighted above.

APPRECIATION

I would like to extend my sincere gratitude to my fellow Board members for the support in these most difficult times. In addition, I would like to thank staff, management and all our stakeholders for the continued support and commitment to the Masimba brand.



Greg Sebborn

26 March 2015

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

I am pleased to present my report on the Group operations for Masimba Holdings Limited for the twelve months ended 31 December 2014. Please note that following the change of year-end from June to December in 2013, the last audited comparative financial statements were for the eighteen months period to 31 December 2013.

GROUP PERFORMANCE

The Group recorded a Turnover of \$28,176,959 and Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of \$1,673,109 in the twelve months period ending 31 December 2014 compared to a Turnover and EBITDA of \$62,314,448 and \$3,941,011 respectively, recorded in the eighteen months period ending 31 December 2013. The Group performance for the period ending 31 December 2014 represents a Turnover and EBITDA decline of 21% and 13% respectively from the twelve months period ending 31 December 2013. The Group performance was adversely affected particularly by the continued deterioration in the economic environment that resulted in subdued capital expenditure in both the private and public sectors.

As a consequence of the continued deterioration in the macro-economic environment and subdued performance, the Group net cash flows decreased by \$746,998 compared to positive cash flows of \$489,348 recorded in the comparative period. The Group cash flows were also affected by the repayment of external borrowings of \$2,066,665 in the period, which reduced the bank borrowings to \$1,583,334 (2013: \$3,650,000).

The shareholder equity at \$20,112,053 was marginally down from the comparative amount of \$20,594,178. The decline in total assets to \$33,969,181 (2013: \$37,450,369) is a reflection of the decline in the top line and applying the cash flows generated to debt repayment. The statement of financial position however remained strong with the current and debt equity ratios of 1.58 (2013: 1.49) and 8% (2013: 18%).

Capital expenditure in the period amounted to \$1,374,556 (2013: \$1,344,836) and this was mainly applied towards the capacity expansion and plant modernization at Proplastics.

REVIEW OF OPERATIONS

Masimba Construction Zimbabwe

The continued decline in the country's gross capital formation had a particularly adverse impact on Masimba Construction's performance whose Turnover and EBITDA for the period declined to \$14,848,743 (2013-18 months period: \$39,974,312) and \$346,497 (2013-18 months period: \$2,370,488). Gross profit in the



period improved from 14% in 2013 to 18% while the EBITDA to turnover ratio declined to 2% (2013: 6%). Masimba Construction's order book remained firm at approximately \$40 million but the active order book was considerably lower due to public sector projects that were suspended due to clients' cash flow constraints. An amount of \$461,642 (2013-18 months: \$53,576) attributable to idle capacity and resource under-utilization was incurred during the period.

Proplastics

Proplastics recorded a Turnover and EBITDA of \$13,328,216 (2013-18 months period: \$22,340,137) and \$1,453,176 (2013-18 months period: \$1,062,174) respectively.

The Proplastics turnover and volume performance for the period under review were down by 1% and 2% respectively from the unaudited twelve months comparable period. This performance was commendable given the deteriorating business environment as alluded to earlier. The operating margin at 21% was flat on the 20% achieved in 2013.

Proplastics' capital expenditure during the period amounted to \$1,268,473. The capital expenditure included a new High Density Polyethylene (HDPE) extruder that will increase the Proplastics capacity by 30% as well as expanding the HDPE pipes product range. In addition, the division also invested in an 1100KVA back-up power supply unit that is key to fulfilling customers' orders given the erratic power supply in the country.

OCCUPATIONAL HEALTH & SAFETY ASSESSMENT SYSTEMS (OHSAS)

The Group continued to improve on its OHSAS and Environment

Management systems that have become a key strategic focus at its operations. The number of Lost Time Injuries improved to eight (8) from twenty-six (26) recorded in the previous period. While Masimba Construction's Lost Time Injury Frequency Rate (LTIFR) was commendable at 1.87, Proplastics' OHSAS performance was affected by the high levels of manual operations in its factories. This shortfall is being addressed through the continued plant modernization and automation that started in 2010. The Standards Association of Zimbabwe and South African Bureau of Standards regularly audit the OHSAS and Environment Management Systems at Masimba and Proplastics respectively.

PROSPECTS

The country's poor state of infrastructure covering transport, education, health, water, energy and housing, plus a poor 2014-2015 agriculture season, presents hope and opportunities for the Masimba group going into the future.

During 2014 Masimba embarked on processes aimed at procuring work in education and housing sectors in partnership with local and international financiers. While this has taken much longer than previously anticipated, final closure is expected to be achieved in the second half of the year.

Growth in the telecommunications sector for which Masimba Construction is a significant player is expected to remain firm. The Government of Zimbabwe has recently procured external funding for the expansion of the country's telecommunications infrastructure and accordingly Masimba expects this sector to contribute significantly to its turnover in 2015.

The Monavale housing development that is aimed at developing seventy five (75) middle income cluster units has finally received the requisite regulatory approvals and construction will start in the second quarter of 2015. The project will be executed in three phases and phase one comprising nineteen (19) units will be completed in 2015.

Masimba has entered into a 50:50 joint venture agreement with Kosto Holdings Limited of Mauritius to set up a reinforcement steel (rebar and mesh) cutting and bending facility in Harare. Kosto is part of the RSC group of South Africa, the leading manufacturer of rebar and mesh products in South Africa. The joint venture company, RSC Zimbabwe, is expected to become a significant supplier of rebar in Zimbabwe and will ultimately contribute significantly to Masimba revenues from the second half of the year.

The agreement that was recently signed by the Government of Zimbabwe and the European Union (EU) of a \$270 million three-year facility whereby the EU will fund the rehabilitation of urban water and sanitation infrastructure, among other sectors, presents significant opportunities for both Masimba Construction and Proplastics over the period. Proplastics is the country's leading supplier of water and sanitation piping systems and is an approved supplier to all municipalities in Zimbabwe.

The country experienced a poor 2014-15 Agricultural season due to inadequate rains. The irrigation sector that has been on a recovery path in the last two years is, therefore, likely to witness further investments in line with Government's economic blueprint program, ZIMASSET. Accordingly, urban water and sanitation rehabilitation programs and the continued push for housing and irrigation infrastructure development will drive the Proplastics' positive outlook.

The commissioning of the HDPE extrusion line in 2014 and the new injection moulder in May 2015 will further position Proplastics as the premier supplier of world class piping systems in the country. This plant modernization program, apart from offering an expanded capacity and product range, will result in much better competitiveness through improved production efficiencies. Notwithstanding these positive opportunities, in general 2015 is expected to be a tough financial year for the country given the continued lack of foreign direct investments, liquidity crisis and political bickering. Masimba's competitive strategy in pursuit of the identified opportunities will therefore be focused on cash generation, credit risk and continued cost containment.

THE PROPOSED UNBUNDLING OF PROPLASTICS FROM MASIMBA HOLDINGS LIMITED

The Board at its meeting of 11 March 2015 resolved to propose to the Masimba Holdings Limited Shareholders that the Group be unbundled to two separately listed entities, Masimba Holdings Limited (incorporating the construction business) and Proplastics. The details of the proposed unbundling transaction as alluded to in the Chairman's statement will be contained in Circulars to Shareholders to be distributed to Shareholders ahead of the proposed Extraordinary General Meeting (EGM).

APPRECIATION

I extend my sincere gratitude to our clients and suppliers who have continued to be the pillar of our success. I am indebted to the many Masimba men and women who operate in our factories and our construction sites dotted around the country. Finally, I thank the Masimba board for their guidance and wise counsel during the year.



Canada Malunga

26 March 2015

MISSION & VALUES

Our Mission

To deliver world class infrastructure solutions and create sustainable value for our stakeholders.

Our Vision

To be the market leader in the infrastructure development in Zimbabwe, with a significant presence in the SADC region.

Our Values

Respect for life

Committed to the safety and health of our employees and stakeholder partners and sustainability of the environment in which we operate.

Integrity

Being upright, ethical and accountable in our conduct.

Professionalism

Adhering to core principles that guide our work.

Leadership

Providing clarity of vision, influencing and commanding respect

Excellence

All our delivery processes shall be benchmarked to world class standards.







Gregory Sebborn
Chairman,
Non-Executive Director

Gregory is an independent Chairman of the Board. He served as Managing Director of Zimbabwe & Southern African operations of the Rennies Group of Companies and was a founding Director and former Group Managing Director of Zimplats Holdings and, Managing Director of Zimbabwe Platinum Mines. He also served as a Partner in Renaissance Partners, a Russian based Investment Bank. Gregory is a consultant for special mining projects and developments in Africa and serves as a non-executive Director of several companies including Stanbic Bank Zimbabwe Limited.



Canada Malunga
Chief Executive Officer

Canada is currently the Chief Executive Officer, a position he has held since March 2013, prior to which he served the company as a non-executive Director. He is a past Chief Executive Officer of Murray & Roberts (Zimbabwe) Limited and served in this role from 2004 to 2010. Canada has served the company in various capacities including Finance Director and Managing Director of Proplastics and Group Executive Director – Manufacturing and Trading.

Canada has a wealth of experience in infrastructure, contracting, manufacturing, finance and property development. His wide ranging experience and knowledge of the company will be invaluable in providing the necessary leadership in ensuring Masimba remains a sustainable organisation. He is a past President of the Institute of Chartered Accountants of Zimbabwe. Currently he is a non-executive Director of FBC Holdings Limited.



Michael Tapera
Finance Director

Michael is a Chartered Accountant by profession and has over the years worked in various executive roles including being Finance Manager for Associated Textiles in Kadoma, Audit Manager for Deloitte & Touche - London, Partner for Deloitte & Touche - Harare, Group Finance Director for Art Holdings Limited and Head of Advisory Services at HYFLO Consultants (Private) Limited. Currently he is a non-executive director of various companies including OK Zimbabwe Limited.



Samuel Sithole
Non-Executive Director

Samuel is the Finance Director of Brait South Africa Limited and holds non-executive directorships on boards of a number of South African companies, including the JSE Top 40 listed African Bank Investments Limited.



Malcolm William
McCulloch
Non-Executive Director

Malcolm is a Chartered Accountant by profession and has been a past Group Chief Executive Officer of Murray & Roberts Limited in South Africa. Malcolm is a Director of a number of companies, including Kosto Holdings Limited.



Paddy Tongai
Zhanda (Jnr.)
Non-Executive Director

Paddy holds a Bachelor of Commerce degree in Accounting Science from the University of South Africa and completed his articles with Deloitte & Touche. He is a Director of a number of companies including Aurora Agricultural Venture & Processors (Private) Limited.

Corporate Governance

The Board of Masimba Holdings Limited is committed to adherence to the principles of good corporate governance in order to attain the goal of responsible corporate behaviour and full accountability to its shareholders and stakeholders.

THE BOARD OF DIRECTORS

Composition and Appointment

The Board comprises of six (6) Directors made up of four (4) non-Executive and two (2) Executive. The Board is chaired by a non-Executive Director, thus ensuring a separation of powers and authority.

The election of non-Executive Directors is subject to confirmation by Shareholders. In terms of the Company's Articles of Association and the Companies Act (Chapter 24:03), at least one third of the Directors must retire at every Annual General Meeting and, if eligible, can stand for re-election. Also, a Director appointed during the course of the year must retire at the Annual General Meeting and, if eligible, stand for re-election.

Accountability and Delegated Functions

The Board meets formally at least once every quarter to review the entity's performance. There is an agenda of matters which are presented for its consideration and review, and where appropriate for decision, so that it maintains full and effective control over strategic, financial, operational and compliance issues. The record of attendance by each Director at the Board Meetings, held during the period under review, is reflected in the table on page 16 of this report. There are procedures which allow Directors to avail themselves of independent professional advice in the furtherance of their duties and to select non-Executive Directors.

Performance Management Reporting

The entity operates regionally in regulated environments. Business is conducted within a well developed control framework, underpinned by procedures and control manuals. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines.

The business performance of the Company is reported regularly to Management, the Executive Committee and the Board. Performance trends and performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies which are consistently applied, in all material respects, from year to year. Where a change in accounting policy occurs, the change is specifically noted in the financial statements.

The system of internal financial control is monitored regularly by Management, the Executive Committee and the Board. The scope of the Internal Audit department includes an assessment of the risks and controls in each operating unit and its findings are reported to management. All adverse

findings are reported to the Chief Executive Officer for immediate management action. Internal Audit also reports regularly to the Audit and Risk Committee of the Board.

The external auditors review the system of internal financial controls to the extent necessary for them to form the opinion they express on the financial statements. They also report to the Audit and Risk Committee on matters arising from this review.

Changes to the Board

There has been no changes to the composition of the Board since the last report.

Directors' Names

The following are the current Directors who have served during the year under review:-

- Mr Gregory Sebborn – Chairman
- Mr Canada Malunga
- Mr Malcolm William McCulloch
- Mr Samuel Sithole
- Mr Michael Tapera
- Mr Paddy Tongai Zhanda (Jnr.)

Board Committees

The Board has established and mandated a number of committees to perform work on its behalf in various key areas affecting the business of the entity. The committees are chaired by non-Executive Directors. They submit reports to the main Board on the Committee's deliberation and findings.

The Remuneration Committee

The Committee is chaired by a non-Executive Director, Mr Malcolm William McCulloch. Its mandate is to set the remuneration of Executive Directors and considers appointment of new Directors and senior Executives before the final approval by the Board. The remuneration policies of the Committee are as follows:-

- To ensure that individual rewards and incentives relate directly to the performance of the individuals, the operations and functions for which they are responsible and the Company as a whole.
- To maintain competitive rewards that enable the entity to attract and retain Executives of the highest quality.

In order to determine the competitiveness of Executive remuneration, the Committee receives independent professional advice on remuneration packages and practices of comparable organisations within the region.

Audit and Risk Committee

Mr Samuel Sithole, a non-Executive Director, chairs this Committee which

The Committee:-

- Considers changes to the Company's accounting policies and reviews its interim and annual financial statements before the Board, with whom ultimate responsibility remains, approves them.
- Reviews the effectiveness of the system of internal controls during the period and reports thereon to the Board. The Board is responsible for establishing systems of internal control which provide reasonable assurance that the entity's assets are safeguarded, proper accounting records are maintained and that the financial information used in the business and for publication is reliable. They attach great importance to maintaining a strong and controlled environment. However, any system of internal financial control can provide only reasonable, not absolute, assurance against material misstatement or loss.

Code of Conduct

The Board has approved a Code of Conduct which sets out the entity's core values relating to lawful and ethical conduct of business. All employees have a copy of the Code of Conduct and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the entity operates. Policies exist for monitoring compliance with the Code of Conduct.

Going Concern

The Board confirms that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the basis that the Company is a going concern.

Auditors

A resolution will be proposed at the Annual General Meeting to reappoint Deloitte & Touche as Auditors of the Company.



Samuel Sithole

Chairman - Audit and Risk Committee

26 March 2015



AT DIRECTORS MEETINGS FOR THE 2014 FINANCIAL YEAR

BOARD MEMBER ↓	POSITION	BOARD	AGM	AUDIT	REMCO*
No. of Meetings →		4/4	1/1	4/4	4/4
Mr Gregory Sebborn	Non-Executive Director & Chairman	4/4	1/1	n/a	4/4
Mr Canada Malunga	Chief Executive Officer	4/4	1/1	4/4	4/4
Mr Malcolm William McCulloch	Non-Executive Director	4/4	0/1	n/a	4/4
Mr Samuel Sithole	Non-Executive Director	3/4	0/1	4/4	n/a
Mr Michael Tapera	Group Finance Director	3/4	0/1	3/4	n/a
Mr Paddy Tongai Zhanda (Jnr.)	Non-Executive Director	4/4	1/1	4/4	n/a

REMCO* refers to Remuneration Committee



The Directors have pleasure in presenting their Annual Report and the Audited Financial Statements of the Group and the Company for the year ended 31 December 2014. In the report "Group" refers to Masimba Holdings Limited and its subsidiary companies.

Period's Results	US\$
Loss attributable to shareholders	552,423
Dividends	
Interim	-
Final	-
Total	-
Net transfer against reserves	552,423

Capital Expenditure

Capital expenditure for the period to 31 December 2014 amounted to \$1,374,556. The budgeted capital expenditure for the period to 31 December 2014 was \$958,442.

Share Capital

The authorized share capital of the Company is \$8,750,000 and comprising of 875,000,000 ordinary shares of a nominal value of \$0,01 each.

During the period no ordinary shares were issued.

The issued share capital of the Company remained at \$2,204,937 as at December 2013 (2013: \$2,204,937) and comprised 220,493,732 (2013: 220,493,732) ordinary shares of the nominal amount of \$0,01 each.

Auditors

The Auditors of the Company are Deloitte & Touche. Shareholders will be asked at the forthcoming Annual General Meeting to approve their remuneration in respect of the past audit and to appoint auditors for the coming year.

Reserves

The movement in the Reserves of the Group is disclosed on the Consolidated Statement of Changes in Equity.

Directorate

The following are the Directors of the Company and they held office for the period under review:-

- Mr Gregory Sebborn, Independent non-Executive Chairman
- Mr Canada Malunga, Chief Executive Officer
- Mr Malcolm William McCulloch, non-Executive Director
- Mr Samuel Sithole, non-Executive Director
- Mr Michael Tapera, Group Finance Director
- Mr Paddy Tongai Zhanda, non-Executive Director

Messrs Gregory Sebborn and Paddy Tongai Zhanda (Jnr.) retire by rotation on conclusion of the forthcoming Annual General Meeting. All being

eligible, have offered themselves for re-election and Shareholders will be asked to appoint Directors for the ensuing year.

Directors' Fees

Shareholders will be asked to approve the remuneration of the Directors for their services as Directors during the past year. Your Board recommends that an amount of \$42,500 (2013 \$ 113,557) be paid, to be divided amongst themselves at their discretion.

The Masimba Holdings Limited Senior Executive Share Option Scheme 2003

The Scheme was approved by Shareholders in October 2003, the purpose of which is to promote the retention of senior Executives responsible for the management of the Group. The details of the movement in the outstanding option during the year to 31 December 2014 are shown on note 11 of the financial statements.

Statement of Compliance

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the disclosure requirements of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing requirements.

The Group's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 18. The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss.

The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for the foreseeable future.

By Order of the Board



G. Sebborn
Director

26 March 2015



C. Malunga
Director

26 March 2015



asimba



Firm Roots.



Pro[®]**oplastics**
Pipe Systems That Last



New Frontiers.

Deloitte.

We have audited the accompanying consolidated and company financial statements of Masimba Holdings Limited "the Group" as set out on pages 22 to 58, which comprise the consolidated and the company statement of financial position as at 31 December 2014, the consolidated and the company statement of profit or loss and other comprehensive income, the consolidated and the company statement of changes in equity and the consolidated and the company statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Group's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial position of Masimba Holdings Limited as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the current year financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03), the relevant Statutory Instruments (SI 33/99 and SI 62/96) and the Zimbabwe Stock Exchange Listing Requirements.



Deloitte & Touche

26 March 2015

MASIMBA HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

22

ASSETS

Non-current assets

Property, plant and equipment
Investment property
Investments

Notes	2014 US\$	2013 US\$
4	11,792,693	12,253,294
5	4,757,307	5,116,000
6	504	504

Total non-current assets

16,550,504	17,369,798
-------------------	-------------------

Current assets

Cash and cash equivalents
Contracts in progress and contract receivables
Trade and other receivables
Inventories
Current tax assets

	1,729,139	2,476,137
8	6,383,944	8,420,183
9	3,887,989	4,232,709
10	5,365,107	4,951,542
	52,498	-

Total current assets

17,418,677	20,080,571
-------------------	-------------------

Total assets

33,969,181	37,450,369
-------------------	-------------------

EQUITY AND LIABILITIES

Capital and reserves

Issued share capital
Share premium
Reserves
Retained earnings

11	2,204,937	2,204,937
	260,063	260,063
	16,269,358	16,431,082
	1,377,695	1,698,096

Total equity

20,112,053	20,594,178
-------------------	-------------------

Non-current liabilities

Borrowings
Deferred tax

12	416,667	833,333
13	2,406,933	2,575,572

Total non-current liabilities

2,823,600	3,408,905
------------------	------------------

Current liabilities

Borrowings
Trade and other payables
Subcontractors
Current tax payable

12	1,166,667	2,816,666
14	7,167,062	6,703,776
15	2,699,799	3,880,455
	-	46,389

Total current liabilities

11,033,528	13,447,286
-------------------	-------------------

Total equity and liabilities

33,969,181	37,450,369
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G. Sebborn
Chairman
26 March 2015



C. Malunga
Chief Executive Officer
26 March 2015

MASIMBA HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

23

	Notes	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Revenue			
Cost of sales	16	28,176,959 (22,720,760)	62,314,449 (51,574,556)
Gross profit		5,456,199	10,739,893
Fair value adjustment on investment property		(25,000)	(357,000)
Other operating income	17	304,704	951,223
Distribution expenses		(238,408)	(345,560)
Administration expenses	18	(5,704,626)	(10,015,665)
(Loss)/profit before interest and tax		(207,131)	972,891
Interest received		34,415	33,705
Finance costs		(482,290)	(555,004)
(Loss)/profit before tax	19	(655,006)	451,592
Income tax credit/ (expense)	20	102,583	(512,004)
Loss for the year/period		(552,423)	(60,412)
Other comprehensive income, net of income tax			
Gain on revaluation of property, plant and equipment		77,337	1,731,477
Deferred tax on revaluation surplus	13	(17,978)	(362,533)
		59,359	1,368,944
Exchange difference on translating foreign operations:-			
Exchange differences arising during the period		-	(4,947)
Other comprehensive income for the year/period, net of tax		59,359	1,363,997
Total comprehensive (loss)/income for the year/period		(493,064)	1,303,585
Loss per share			
Number of shares		220,493,732	220,493,732
Basic loss per share (cents per share)	21	(0.25)	(0.03)
Diluted loss per share (cents per share)	21	(0.25)	(0.03)

MASIMBA HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Issued Capital US\$	Share Premium US\$	Distributable Reserves US\$	Non Distributable Reserves US\$	Revaluation Reserves US\$	Foreign Currency Translation Reserve US\$	Share based Payment Reserve US\$	Investment Fair Value Reserve US\$	Retained Earnings US\$	Total US\$
Balance at 30 June 2012	2,147,746	82,733	-	14,862,591	10,135	(29,294)	179,631	109,386	1,906,927	19,269,855
Loss for the eighteen months	-	-	-	-	-	-	-	-	(60,412)	(60,412)
Other comprehensive income for the period	-	-	-	-	1,368,944	(4,947)	-	(109,386)	109,386	1,363,997
Share based payments	625	1,973	-	-	-	-	44,022	-	-	46,620
Dividend paid	56,566	175,357	-	-	-	-	-	-	(257,805)	(25,882)
Balance at 31 December 2013	2,204,937	260,063	-	14,862,591	1,379,079	(34,241)	223,653	-	1,698,096	20,594,178
Loss for the year	-	-	-	-	-	-	-	-	(552,423)	(552,423)
Other comprehensive income for the year	-	-	-	-	59,359	-	-	-	-	59,359
Share based payments	-	-	-	-	-	-	10,939	-	-	10,939
Reclassification Transfer	-	-	12,000,000	(12,000,000)	-	-	(232,022)	-	232,022	-
Balance at 31 December 2014	2,204,937	260,063	12,000,000	2,862,591	1,438,438	(34,241)	2,570	-	1,377,695	20,112,053

The Directors resolved to transfer US\$12,000,000 from non-distributable reserves to distributable reserves.
Non-distributable reserves arose as result of change in functional currency from Zimbabwe dollars to United States of America Dollars

MASIMBA HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

Cash flows from operating activities

(Loss)/profit for the year/period before interest and tax

Adjustments for:

Depreciation of non-current assets	1,880,240	2,968,120
Dividend received	-	(520)
Fair value adjustment of investment property	25,000	357,000
Impairment of investment	-	139,015
Expense recognised in respect of equity-settled share based payments	10,939	44,022
Profit on disposal of investments	-	(3,579)
Unrealised exchange gain	-	(2,360)
(Profit)/loss on disposal of property, plant and equipment	(11,352)	86,442
Profit on disposal of investment property	(5,000)	(40,000)
Reclassification from trade and other receivables to investment property	(136,307)	-

Net cash from operations before working capital changes

Decrease/(increase) in contracts in progress and contract receivables	2,036,239	(1,151,568)
Decrease in trade and other receivables	344,720	67,049
(Increase)/decrease in inventories	(413,565)	708,176
Decrease in trade and other payables and sub-contractors	(717,370)	(3,158,403)

Cash generated from operations

Net interest paid	(447,875)	(521,299)
Dividend received	-	520
Income taxes paid	(182,922)	(316,402)

Net cash generated by operating activities

Cash flow from investing activities

Payments for property, plant and equipment		
-To maintain operations	(198,665)	(1,344,836)
-To expand operations	(1,175,891)	-
Payments to acquire financial assets	-	(139,015)
Proceeds on sale of financial assets	-	155,165
Proceeds from disposal of property, plant and equipment	43,607	471,999
Proceeds from disposal of investment property	475,000	685,000

Net cash used in investing activities

Cash flow from financing activities

Dividend paid	-	(25,882)
(Decrease)/increase in borrowings	(2,066,665)	537,813

Net cash (used in)/generated by financing activities

Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year	2,476,137	1,986,789
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Cash and cash equivalents at the end of the year

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
(Loss)/profit for the year/period before interest and tax	(207,131)	972,891
Adjustments for:		
Depreciation of non-current assets	1,880,240	2,968,120
Dividend received	-	(520)
Fair value adjustment of investment property	25,000	357,000
Impairment of investment	-	139,015
Expense recognised in respect of equity-settled share based payments	10,939	44,022
Profit on disposal of investments	-	(3,579)
Unrealised exchange gain	-	(2,360)
(Profit)/loss on disposal of property, plant and equipment	(11,352)	86,442
Profit on disposal of investment property	(5,000)	(40,000)
Reclassification from trade and other receivables to investment property	(136,307)	-
Net cash from operations before working capital changes	1,556,389	4,521,031
Decrease/(increase) in contracts in progress and contract receivables	2,036,239	(1,151,568)
Decrease in trade and other receivables	344,720	67,049
(Increase)/decrease in inventories	(413,565)	708,176
Decrease in trade and other payables and sub-contractors	(717,370)	(3,158,403)
Cash generated from operations	2,806,413	986,285
Net interest paid	(447,875)	(521,299)
Dividend received	-	520
Income taxes paid	(182,922)	(316,402)
Net cash generated by operating activities	2,175,616	149,104
Cash flow from investing activities		
Payments for property, plant and equipment		
-To maintain operations	(198,665)	(1,344,836)
-To expand operations	(1,175,891)	-
Payments to acquire financial assets	-	(139,015)
Proceeds on sale of financial assets	-	155,165
Proceeds from disposal of property, plant and equipment	43,607	471,999
Proceeds from disposal of investment property	475,000	685,000
Net cash used in investing activities	(855,949)	(171,687)
Cash flow from financing activities		
Dividend paid	-	(25,882)
(Decrease)/increase in borrowings	(2,066,665)	537,813
Net cash (used in)/generated by financing activities	(2,066,665)	511,931
Net (decrease)/increase in cash and cash equivalents	(746,998)	489,348
Cash and cash equivalents at the beginning of the year	2,476,137	1,986,789
Cash and cash equivalents at the end of the year	1,729,139	2,476,137

1. General Information

Masimba Holdings Limited (the Company) is a limited company incorporated in the Republic of Zimbabwe. The address of its registered office is 44 Tilbury Road, Willowvale, Harare, Zimbabwe.

1.1 Nature of Business

The principal activities of the Group are civil engineering, building contracting and manufacturing. The operations are carried out through two divisions, namely Masimba Construction and Proplastics.

2. Application of New and Revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRS affecting amounts reported and/or disclosures in the financial statements

In the current period, the Group applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The amended standards, described below, did not have a material impact on the financial position or performance of the Group:-

- IFRS 10 Consolidated Financial Statements, amendment establishes the single control model, hence requires management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
- IFRS 12 Disclosures of Interest in other entities, sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. An entity is now required to disclose the judgments made to determine whether it controls another entity.
- IFRS 13 Fair Value Measurement-short term receivables and payables. The IASB clarified in the Basis for Conclusions that short term receivable and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- Revised IAS 27 Consolidated and Separate Financial Statements, reissued as IAS27 Separate Financial Statements.
- Revised IAS 28 Investments in Joint Ventures and Associates describes the application of the equity method to investment in joint ventures in addition to associates.
- Revised IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities - Amendments were made to clarify the requirements relating to the offset of financial assets and financial liabilities, specifically to clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".
- IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets- The amendment removes the requirements to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible asset with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore the amendments introduce additional disclosure requirements

applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with disclosures required by IFRS 13 Fair Value Measurements.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting. The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

2.2 New and revised IFRSs in issue but not mandatorily effective and not adopted at reporting date

At the date of authorisation of these financial statements, the following Standards and Interpretations which were applicable to the entity were either in issue or revised but not effective and have not been applied in preparing these financial statements. These include:-

- IFRS 9 Financial Instruments. The IFRS was issued in November 2009 as part of the first phase to replace IAS 39 Financial Instrument: Recognition and Measurement. It addresses the classification and measurement of financial assets, effective for periods beginning on or after 1 January 2018.
 - Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations. The amendment provides guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Effective for periods beginning on or after 1 January 2016.
 - IFRS 15 Revenue from Contracts with Customers. Issued in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Effective for periods beginning on or after 1 January 2017.
 - Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of intangible assets. Effective for annual period beginning on or after 1 January 2016.
 - Amendments to IAS 19 Defined Benefit Plans – Employee Contributions. The amendments clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. Effective for periods beginning on or after 1 July 2014.
- Annual improvements to IFRSs 2010-2012 cycle, effective for periods beginning on or after 1 July 2014. The amendments to seven standards are discussed below:-
- IFRS 2 Share Based Payment: Amended the definition of "vesting condition" and "market conditions". Added definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition".

2.2 New and revised IFRSs in issue but not mandatorily effective and not adopted at reporting date (continued)

- IFRS 3 Business Combination: Amendments to clarify that contingent consideration that is classified as an asset or a liability, should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 of IAS 39 or a non-financial asset or liability. Changes in fair value should be recognised in profit or loss.
 - IFRS 8 Operating Segments: Amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and to clarify that a reconciliation of the total reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
 - IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets Amendments to the standards removed perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued.
 - IAS 24 Related Party Disclosure, the amendment clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity and should be disclosed in accordance with IAS 24.
 - IFRS 13 Fair Value Measurement, amendments to the basis of conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- Annual improvements to IFRSs 2011-2013 cycle, effective for periods beginning on or after 1 July 2014. The amendments to three standards are discussed below:-
- IFRS 3 Business Combinations, amendments to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
 - IFRS 13 Fair Value Measurement, amendment to clarify that the portfolio exception can be applied to financial assets, financial liabilities and other contracts.
 - IAS 40 Investment Property, amendment to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property and owner-occupied property.
 - IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting. The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
 - IFRS 5 (applicable to annual periods beginning on or after 1 July 2016) — Address specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
 - IFRS 7 (applicable to annual periods beginning on or after 1 July 2016) — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

- IAS 9 (applicable to annual periods beginning on or after 1 July 2016) — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 (applicable to annual periods beginning on or after 1 July 2016) — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:
 - a) when the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold from the mine until total cumulative revenue from the sale of gold reaches CU2 billion) and not based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined, the revenue that is to be generated might be an appropriate bases for amortising the intangible asset; or
 - b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- IFRS 14 Regulatory Deferral Accounts – (Effective for first annual IFRS financial statements with annual periods beginning on or after 1 January 2016). IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

Management anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Group in the period of initial application, with the exception of IFRS 15 Revenue from Contracts with Customers. Management is still evaluating the impact of the standard on the Group's financial statements.

3. Summary of significant accounting policies

3.1 Statement of compliance

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by IASB.

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Zimbabwe Companies Act (Chapter 24:03) and related statutory instruments. With the exceptions noted as in policy 2.2 above, "Application of new and revised IFRSs", the accounting policies set out below have been consistently applied from the previous year and throughout the current year.

These financial statements are presented in United States dollars (US\$) being the functional and reporting currency of the primary economic environment in which the Company operates.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on managements' best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of International Financial Reporting Standards (IFRSs) that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated financial statements are discussed in Note 32.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:-

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:-

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- potential voting rights held by the Company, other vote holders or other parties
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has or does not have the current ability to direct the relevant activities at the time that the decisions need to be made, including voting patterns at previous Shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficient balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3.1 Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition - date of fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group, in exchange for the control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at the fair value except that:-

3. Summary of significant accounting policies (continued)

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquirer's share-based payments awards are measured in accordance with IFRS 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3.5 Interests in joint ventures

When a Group entity undertakes its activities directly under joint arrangements, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity, in which each venture has an interest, are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see note 3.4 above).

When a Group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interest in the jointly controlled entity that are not related to the Group.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.6.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:-

- the Group has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.6.2 Long-term and construction contracts

Where the outcome of a long-term and construction contract can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the statement of financial position date, as measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that collection is probable and the amounts can be measured reliably. Anticipated losses to completion are recognised immediately as an expense in contract costs.

Where the outcome of the long-term and construction contracts cannot be reliably determined, contract revenues are recognised to the extent that the recoverability of incurred costs is probable. Contract costs are recognised as expenses in the period in which they are incurred.

When contract costs incurred to date plus recognised profit less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profit less recognized losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3.6.3 Dividend and interest revenue

Dividend revenue from investments is recognised when the Shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.6.4 Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

3. Summary of significant accounting policies (continued)

3.7 Property, plant and equipment

Property, plant and equipment are tangible assets that the Group holds for its own use or for rental to others and which the Group expects to use for more than one period. The consumption of property, plant and equipment is reflected through a depreciation charge designed to reduce the asset to its residual value over its useful life.

3.7.1 Measurement

Property, plant and equipment are shown at cost less the related depreciation. It is the policy of the Group to revalue its property, plant and equipment frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation increase arising is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve of that asset.

3.7.2 Subsequent costs

Subsequent costs are included in an asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

3.7.3 Components

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant components and where they have different useful lives, are recorded and depreciated separately. The remainder of the cost, being the parts of the item that are individually not significant or have similar useful lives, are grouped together and depreciated as one component.

3.7.4 Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following average useful lives are used in the calculation of depreciation:-

Land is not depreciated		
Buildings	40 years	On a straight – line basis
Plant and equipment	4-10 years	On a straight – line basis
Motor vehicles	5 years	On a straight – line basis
Other Assets	3-10 years	On a straight – line basis

3.7.5 Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

3.7.6 Useful lives and residual values

The property, plant and equipment's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors such as number of shifts for which the asset is to be used and the repair and maintenance program and technological obsolescence arising from changes and residual value.

3.8 Impairment of assets

At each statement of financial position date the Group assesses whether there is any indication that an asset maybe impaired. If any such indication exists, the asset is tested for impairment by estimating the recoverable amount of the related asset. Irrespective of whether there is any indication of impairment, an intangible asset with an indefinite useful life, intangible assets not yet available for use and goodwill acquired in a business combination, are tested for impairment on an annual basis.

When performing impairment tests, the recoverable amount is determined for the individual asset for which an objective indication of impairment exists. If the asset does not generate cash flows from continuing use that are largely independent from other assets or group of assets, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3.9 Taxation and deferred taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.9.1 Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted by the statement of financial position date.

3.9.2 Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is

3. Summary of significant accounting policies (continued)

accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

3.9.3 Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the goods supplied are exempted or zero rated. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

3.10 Contracts in progress and contract receivables

The valuation of contracts in progress takes account of all direct expenditure on contracts, less payment on account and provision for possible losses to completion. Profits or losses on contracts are recognised with reference to the stage of completion, which is determined by taking into account the proportion of work executed and the nature of each contract. Anticipated losses to completion are deducted.

3.10.1 Advance payments received

Advance payments received are assessed on initial recognition to determine whether it is probable that they will be repaid in cash or another financial asset. If it is probable that the advance payments will be repaid with goods or services, the liability is carried at historic cost.

3.11 Inventories

Inventories comprise raw materials, work in progress, finished goods and manufactured components. They are valued at the lower of cost or net realisable value generally determined on a moving average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollars, which is the functional currency of the Group and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise except for:-

- exchange differences which relate to assets under construction for future productive use,
- exchange differences which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- exchange differences on transactions entered into in order to hedge certain foreign currency risks, and

exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars (US\$) using exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. Summary of significant accounting policies (continued)

On the disposal of a foreign operation (i.e. disposal of a Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit and loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non controlling interest and are not recognised in profit and loss. All partial disposals i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.13.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:-

- It has been acquired principally for the purpose of selling it in the near term; or

- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:-

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated [statement of comprehensive income/income statement].

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. Summary of significant accounting policies (continued)

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:-

Significant financial difficulty of the issuer or counterparty; or

- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of sixty (60) days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of

3. Summary of significant accounting policies (continued)

those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.13.2 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole.

This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium/other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits/other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:-

- it has been acquired principally for the purpose of repurchasing it in the near term;
- or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:-

Such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated income statement

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate,

3. Summary of significant accounting policies (continued)

transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:-

The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.15 Share based payments

Senior Executives of the Group receive remuneration in the form of share based payments, whereby they receive equity instruments as consideration for rendering services. The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity settled transactions, no account is taken of any performance conditions other than those linked to the price of the shares of the Company. The cost of equity settled transactions is recognised, together with corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Details regarding the determination of the fair value of equity settled share based transactions are set out in note 11.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of

each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve (Share Based Payment reserve).

3.16 Investment properties

Investment property is property held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business. This classification is performed on a property-by-property basis. Initially, investment property is measured at its cost, including transaction costs. Subsequent to initial measurement, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the period in which the property is de-recognised.

3.17 Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.18 Provisions and contingencies

3.18.1 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Summary of significant accounting policies (continued)

3.18.2 Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.18.3 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3.18.4 Contingent assets

A contingent asset is a possible asset that arises from past events and existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. In the ordinary course of business, the Group may pursue a claim against a subcontractor or client. Such contingent assets are only recognised in the financial statements where the realisation of income is virtually certain. If the flow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Group but not recognised on the statement of financial position.

3.19 Employee benefits

3.19.1 Defined contribution plans

The Group operates pension schemes in terms of the Pension and Provident Funds Act and current contributions to defined contribution schemes are charged against income as incurred. The Group also participates in the National Social Security Authority scheme. Under defined contribution plans, the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

3.19.2 Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses and accrued when the associated services are rendered by the employees of the Group.

Termination benefits are payable when employment is terminated by the Group before retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing

termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than twelve (12) months after the statement of financial position date are discounted to present value.

3.19.3 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.20 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Executive and non-Executive Directors.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

3.21 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. The entity's primary format for reporting segmental information is determined in accordance with the nature of business.

3.21.1 Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between business segments. Such transfers are accounted for at arms-length prices. These transfers are eliminated on consolidation.

3.21.2 Segmental revenue and expenses

All segment revenue and expenses are directly attributable to the segments.

3.21.3 Segment assets

All operating assets used by a segment, principally property, plant and equipment, investments, inventories, contracts in progress and receivables, net of allowances.

3.21.4 Segment liabilities

All operating liabilities of a segment, principally accounts payable, subcontractor liabilities and external interest bearing borrowings.

4. Property, plant and equipment

	Freehold Land & Buildings US\$	Plant & Machinery US\$	Motor Vehicles US\$	Furniture & Office Equipment US\$	Total US\$
COST/VALUATION					
Balance at 30 June 2012	3,746,500	10,291,727	2,384,038	381,863	16,804,128
Additions	-	1,117,656	119,026	108,154	1,344,836
Revaluation	1,380,500	-	-	-	1,380,500
Disposals	(62,000)	(546,048)	(579,054)	(11,543)	(1,198,645)
Balance at 31 December 2013	5,065,000	10,863,335	1,924,010	478,474	18,330,819
Additions	-	1,255,624	76,812	42,120	1,374,556
Revaluation	10,000	(34,687)	-	-	(24,687)
Disposals	-	(36,171)	(79,397)	(3,235)	(118,803)
Balance at 31 December 2014	5,075,000	12,048,101	1,921,425	517,359	19,561,885
ACCUMULATED DEPRECIATION					
Balance at 30 June 2012	237,844	2,861,637	756,247	244,858	4,100,586
Depreciation expense	118,927	2,100,421	654,141	94,631	2,968,120
Eliminated on disposal	(5,794)	(287,416)	(333,646)	(13,348)	(640,204)
Eliminated on revaluation	(350,977)	-	-	-	(350,977)
Balance at 31 December 2013	-	4,674,642	1,076,742	326,141	6,077,525
Depreciation expense	102,025	1,420,160	281,437	76,618	1,880,240
Eliminated on disposal	-	(19,702)	(63,575)	(3,271)	(86,548)
Eliminated on revaluation	(102,025)	-	-	-	(102,025)
Balance at 31 December 2014	-	6,075,100	1,294,604	399,488	7,769,192
CARRYING AMOUNT					
Balance at 30 June 2012	3,508,656	7,430,090	1,627,791	137,005	12,703,542
Balance at 31 December 2013	5,065,000	6,188,693	847,268	152,333	12,253,294
Balance at 31 December 2014	5,075,000	5,973,001	626,821	117,871	11,792,693

4.1 Encumbrances on property, plant and equipment

Freehold land and buildings with a carrying amount of approximately \$7,4 million have been pledged to secure borrowings of the Group. This was done by way of a deed of hypothecation for \$7,4 million in favour of its bankers over stand number 2118 Gwelo Township, stand number 44 Willowvale Township of Lot 8 of 6 of Willowvale, remainder of Lot 11 Block Y Ardbennie Township, stand number 20A Ardbennie Industrial Township and stand number 4496 Salisbury Township of Salisbury. Moveable property is encumbered as shown in note 12.

4.2 Revaluation

In 2014 the Directors engaged an independent valuer, Integrated Properties (Private) Limited, and revalued all freehold land and buildings of the Group. The effective date of the revaluation was 31 December 2014.

5. Investments Property

	2014	2013
	US\$	US\$
At fair value		
Balance at beginning of year/period	5,116,000	6,118,000
Loss on property revaluation	(25,000)	(357,000)
Additions	136,307	-
Disposals	(470,000)	(645,000)
Balance at end of year/period	<u>4,757,307</u>	<u>5,116,000</u>

The fair value of investment property has been arrived at on the basis of a valuation carried out at 31 December 2014 by independent professional valuers, Integrated Properties (Private) Limited. In arriving at the market value, the implicit investment approach based on the capitalisation of income was applied. This method is based on the principle that rentals, capital and income generated by owner occupied assets are interrelated. The effective date of revaluation was 31 December 2014.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:-

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

The following table presents assets and liabilities recognised at fair value in the statement of financial position of the Group:-

	2014			Total carrying amount
	Level 1	Level 2	Level 3	
	US\$	US\$	US\$	US\$
Freehold land & buildings	-	5,075,000	-	5,075,000
Investment property	-	4,757,307	-	4,757,307

There were no transfers between level 1 and level 2 during the current year.

The property rental income earned by the entity from its investments property, all of which is leased out under operating leases, amounted to US\$201,199 (2013: US\$356,756). Direct operating expenses arising on the investment property amounted to US\$271,560 (2013: US\$250,271).

6. Investments

	2014 US\$	2013 US\$
Financial assets carried at fair value through profit and loss	504	504
	<u>504</u>	<u>504</u>

Fair value through profit or loss investments are dated at fair value with the change being recognised through profit or loss.

	2014 US\$	2013 US\$
Movement in the book amount for the year		
Balance at the beginning of year	504	152,080
Additions during the year	-	139,015
Impairment	-	(139,015)
Fair value adjustment	-	10
Disposals	-	(151,586)
Balance at the end of year	<u>504</u>	<u>504</u>

7. Foreign assets

Net asset values attributable to the entity are situated in the following countries:-

	2014 US\$	2013 US\$
Mozambique		
Bank and cash balances	-	92,240
Mauritius		
Bank and cash balances	8,648	8,648
Botswana		
Plant and equipment	40	40
Accruals	(742)	(742)
	<u>7,946</u>	<u>100,186</u>

8. Contracts in progress and contract receivables

Contracts receivables in respect of certified work	2,793,921	5,775,814
Contracts receivables in retentions	1,364,811	832,481
Contracts work in progress	2,225,212	1,811,888
	<u>6,383,944</u>	<u>8,420,183</u>

	2014	2013
	US\$	US\$
9. Trade and other receivables		
Trade	2,384,889	2,337,469
Other	1,503,100	1,895,240
	<u>3,887,989</u>	<u>4,232,709</u>
Gross trade receivables	3,171,736	2,614,030
Less: allowance for credit losses	(786,847)	(276,561)
	<u>2,384,889</u>	<u>2,337,469</u>
Prepayments	1,091,997	1,238,160
Deposits	102,503	106,274
Other receivables	308,600	550,806
	<u>3,887,989</u>	<u>4,232,709</u>

The average credit period for trade receivables is sixty (60) days. No interest is charged on the overdue trade receivables. The entity has recognised an allowance for credit losses against all receivables on a case by case basis.

Trade receivables disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for credit losses because there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by it to the counterparty

Ageing of past due but not impaired trade receivables

	2014	2013
	US\$	US\$
60 days	355,261	361,431
61-90 days	58,218	82,327
91 days +	1,156,254	390,072
	<u>1,569,733</u>	<u>833,830</u>

	2014	2013
	Days	Days
Debtor days	31	43

Movement in the allowance for credit losses

	2014	2013
	US\$	US\$
Balance at the beginning of the year	276,561	306,246
Net movement in provision for the year	510,286	(2,495)
Bad debts written off	-	(27,190)
	<u>786,847</u>	<u>276,561</u>

Book debtors are encumbered as shown in note 12.

9. Trade and other receivables (continued)

In determining trade recoverability of trade receivables, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risks is limited due to the customer base being large and unrelated.

Six (6) of the Group's trade receivables individually constitute between 3% and 11% of the total receivable balance. The entire Group's impaired trade receivable balances are older than one hundred and eighty (180) days.

The Directors consider that the carrying amount of trade receivables approximates their fair values.

	2014 US\$	2013 US\$
Ageing of impaired trade receivables		
180+ days	512,692	276,561
10. Inventories		
Raw materials and consumable stores	2,502,365	678,261
Work in progress	796,657	694,445
Finished goods and manufactured components	2,258,679	3,771,430
Provision for slow moving stock	(192,594)	(192,594)
	5,365,107	4,951,542

The cost of write down of inventories recognised as an expense during the year was US\$ NIL (2013: NIL).

11. Share capital and reserves

	2014 US\$	2013 US\$
Authorised and issued share capital		
Authorised		
875,000,000 ordinary shares of US\$0.01 each	8,750,000	8,750,000
Issued		
220,493,732 (2013: 220,493,732) ordinary shares of US\$0.01 each	2,204,937	2,204,937
Unissued share capital		
This is share capital which Directors may allot, grant options over or deal with at their discretion (in terms of the articles of Association) subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange, without further restrictions.		
	6,545,063	6,545,063

Shares under options

The Directors are empowered to grant share options to senior Executives of the Company up to a maximum of 20,000,000 (2013: 20,000,000) share options. The options are granted for a period of five (5) years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of share options outstanding as at 31 December 2014 were as follows:-

11. Share capital and reserves (continued)

	2014 Shares	2013 Shares
Balance at the beginning of year	3,900,000	6,062,500
Granted during the year	6,300,000	-
Forfeited during the year	(3,900,000)	(2,100,000)
Exercised during the year	-	(62,500)
Balance at end of year	6,300,000	3,900,000

A valuation was carried out by the Directors as at 31 December 2014. The estimated fair values of options granted were determined using Black Scholes model in accordance with IFRS 2 with the following inputs and assumptions:-

	2014	2013
Grant date share price (US\$)	0.121	0.150
Exercise price (US\$)	0.121	0.155
Expected volatility	48.85%	63.33%
Dividend yield	0.00%	0.00%
Risk-free interest rate	8.00%	4.42%

Valuation Inputs

Exercise price

The scheme rules state that the price for the shares comprised in an option shall be the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted.

Expected Volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a period, for example between grant date and the exercise date.

Volatility was calculated as the standard deviation of log normal daily returns for the period starting 16 July 2013 to 15 July 2014.

Expected dividends

When estimating the fair value of options, the projected valuation of shares is reduced by the present value of dividends expected to be paid during the vesting period. This is because the payment of dividends reduces the value of a company.

Risk free rate of return

A risk free rate of return is the interest rate an investor would expect to earn on an investment with no risk which is usually taken to be a government issued security. It is the interest rate earned on a risk free security over a specified time horizon. The risk free rate return is based on 8% Fixed Rate Infrastructure Development Bonds 2014 issued by the Infrastructure Development Bank of Zimbabwe.

All options expire, if not exercised five (5) years after the date of grant.

Non-distributable reserves

This is the residual figure of assets and liabilities arising from the change in functional currency.

12. Borrowings

	2014 US\$	2013 US\$
Secured borrowings at amortised costs		
Bank borrowings	1,583,334	3,649,999
Current	1,166,667	2,816,666
Non-current	416,667	833,333
	1,583,334	3,649,999

12. Borrowings (continued)

The short term loans have a tenure of three (3) months and long term loans have a tenure of two (2) years. The loans accrue interest at an effective rate of 10% (2013: 10%) per annum. These loans are fully secured against immovable property and a notarial general covering bond over moveable assets, including a cession of book debts, refer to note 4.1.

13. Deferred tax

	2014 US\$	2013 US\$
Balance at the beginning of year	2,575,572	2,145,896
(Credit)/charge to income statement	(186,617)	67,143
Charge to other comprehensive income	17,978	362,533
Balance at the end of year	<u>2,406,933</u>	<u>2,575,572</u>
Comprising of:		
Accelerated wear and tear	1,912,697	1,492,738
Uncertified work and claims	572,992	734,800
Retention	117,447	42,419
Unrealised exchange gains	1,605	(2,896)
Prepayments	58,837	69,491
Revenue received in advance	(20,148)	(14,973)
Fair value adjustments	(1,250)	(17,850)
Allowances for credit losses	(202,613)	(71,214)
Provision for slow moving stock	(49,593)	(49,593)
Revaluation of property, plant and equipment	17,978	362,533
Maintenance provision	(34,955)	(48,057)
Other	33,936	78,174
	<u>2,406,933</u>	<u>2,575,572</u>

14. Trade and Other Payables

	2014 US\$	2013 US\$
Trade	1,641,134	1,359,483
Accruals	499,684	782,299
Provisions	2,744,627	2,056,507
Other	2,281,617	2,505,487
	<u>7,167,062</u>	<u>6,703,776</u>

The average credit period on purchases of goods and services from suppliers is sixty (60) days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates their fair values.

15. Sub-Contractors

	2014 US\$	2013 US\$
Balance as at year/period end	<u>2,699,799</u>	<u>3,880,455</u>

Contracts in progress and contract receivables include claims against clients in respect of sub-contractor liabilities. These liabilities are only settled when payment has been received from clients.

16. Revenue

The following is an analysis of the entity's revenue for the period :-

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Revenue from the sale of goods	13,328,216	22,340,137
Construction contract revenue	14,848,743	39,974,312
	<u>28,176,959</u>	<u>62,314,449</u>

17. Other Operating Income

Rental income	201,199	356,756
Dividend received	-	520
Exchange gain	12,371	214,888
Scrap and service sales	33,268	421,796
Sundry income	41,514	3,705
Profit/(loss) on disposal of property, plant and equipment	11,352	(86,442)
Profit on disposal of investment property	5,000	40,000
	<u>304,704</u>	<u>951,223</u>

18. Administration expenses

Advertising and promotions	22,602	141,942
Audit fees	131,864	117,400
Bad debt	366,708	37,296
Bank charges	262,957	339,491
Communication	94,456	224,343
Computer printing and stationery	97,609	129,902
Corporate social investment	16,157	34,059
Depreciation	370,299	646,872
Directors' fees-for services as Directors	42,500	113,557
Insurance	130,255	189,159
Licenses and levies	41,400	53,641
Others	599,540	669,701
Premises	94,200	208,165
Professional and subscriptions	47,393	457,315
Rentals	39,612	36,350
Training and recruitment	73,184	51,835
Travel and accommodation	97,717	124,324
Utilities	102,482	89,350
Staff	3,073,691	6,350,963
	<u>5,704,626</u>	<u>10,015,665</u>

19. (Loss)/profit before taxation

(Loss)/profit before taxation has been arrived at after taking into account the following items which have not been disclosed separately:-

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Depreciation	1,880,240	2,968,120
Impairment of investment	-	139,015
Share option expense	10,939	44,022
Pension	443,463	954,584
Compensation to directors and key management	1,356,190	1,753,171
Fair value gain on investments designated at fair value through profit and loss	-	(10)
Profit on disposal of investment	-	(3,579)
	<hr/>	<hr/>
20. Income tax credit/(expense)		
Current income tax	(60,284)	(411,331)
Capital gains tax	(23,750)	(33,530)
Deferred tax movements	186,617	(67,143)
	<hr/>	<hr/>
Tax per income statement	102,583	(512,004)
	<hr/>	<hr/>
Reconciliation of current income taxation		
(Loss)/profit before tax	(655,006)	451,592
Tax at standard rate	168,664	(116,285)
Adjusted for:		
Effects of expenses not deductible for tax	(4,451)	(148,312)
Effects of other permanent differences	(60,380)	(139,679)
Effects of income taxed at special rates	(1,250)	(107,728)
	<hr/>	<hr/>
Effective income tax credit/(expense)	102,583	(512,004)

21. Earnings per share

Basic earnings basis

The calculation is based on the profit attributable to ordinary Shareholders and the number of shares in issue at the end of the year which participated in the results of the Group.

Diluted earnings basis

The calculation is based on the profit attributable to ordinary Shareholders and the number of shares in issue after adjusting to assume conversion of share options not yet exercised.

The calculation of basic and diluted earnings per share from continuing operations attributable to ordinary shareholders of the Company is based on the following data:-

21. Earnings per share (continued)

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Earnings		
Loss attributable to the equity holders of the company	(552,423)	(60,412)
Number of shares		
Weighted average number of shares in issue used in the determination of:		
Basic	220,493,732	220,493,732
Diluted	223,479,384	223,613,732
Loss per share (us cents):		
Basic	(0.25)	(0.03)
Diluted	(0.25)	(0.03)

22. Retirement benefit costs

Pension funds

The Group operations and all permanent employees contribute to one of the funds detailed below:-

22.1 Masimba Holdings Limited Retirement Fund

All entity employees with the exception of those participating in the funds detailed in 22.2 to 22.3 below are members of this fund administered by Old Mutual. The fund is a defined contribution scheme. All members joining the fund automatically participate on the defined contribution pension benefit basis.

As at 31 December 2014, there were 149 (2013: 164) members in the scheme.

22.2 Construction Industry Pension Fund

This fund is a defined contribution scheme and encompasses employees generally subject to an industrial agreement.

22.3 National Social Security Authority

The entity and its employees contribute to the National Social Security Authority. This is a social security scheme promulgated under the National Social Security Act 1989. The Group's obligations under the scheme are limited to specific contributions legislated from time to time.

22.4 Pension costs recognised as an expense for the year.

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Masimba Holdings Limited Retirement Fund	284,776	481,129
National Social Security Authority	97,799	154,045
Other Funds	60,888	319,410
	<u>443,463</u>	<u>954,584</u>

23. Capital Commitments

Capital expenditure authorised, but not contracted for, is US\$1,452,387 (2013: US\$2,155,000). The expenditure is to be financed from internal resources and existing facilities.

24. Directors' interests

The Directors directly/indirectly hold the following number of shares in the Company :-

	31 December 2014 Shares	31 December 2013 Shares
M. Tapera	2,053	2,053
C. Malunga	1,135,956	1,135,956
Zumbani Capital	<u>102,713,272</u>	<u>102,713,272</u>

Messrs. Canada Malunga, Malcolm William McCulloch, Samuel Sithole and Paddy Tongai Zhanda (Jnr.) have an indirect shareholding in Zumbani Capital (Private) Limited.

25. Segment information

For the purpose of decision making, allocation of resources and assessment of performance, senior management consider the entity to be three (3) different segments. Current and prior segment information for the contracting, manufacturing and property segments is reflected on note 35 of this report.

26. Borrowing powers

Authority is granted in the Articles of Association for Directors to borrow a sum not exceeding 300% of the ordinary Shareholders' funds without the prior sanction of an ordinary resolution of the Company.

27. Insurance cover

In the opinion of the Directors, the Group's assets are adequately insured at full replacement cost of current condition and age of the asset.

28. Contingent liabilities and contingent assets

28.1 The Group is from time to time involved in various disputes, claims and legal proceedings arising in the ordinary course of the business. The Board does not believe that adverse decisions in any pending proceedings or claims against the Group will have a material effect on the future financial conditions of the Group.

28.2 Bank guarantees in issue as at period end:-

	31 December 2014 US\$	31 December 2013 US\$
Performance bonds	810,233	978,657
Advance payment bonds	-	933,459
Retention bonds	117,591	959,886
	<u>927,824</u>	<u>2,872,002</u>

29. Related party disclosures

Balances and transactions between entities within the Group have been eliminated on consolidation and are not disclosed in this note. The remuneration of directors and other members of key management during the period were as follows:

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Short term benefits	1,398,690	2,070,478
Termination benefits	-	206,494
Share based benefits	<u>10,939</u>	<u>44,022</u>
The following amounts are in respect of Directors' emoluments:-		
For services as Directors	42,500	113,557
For consultancy services	-	203,750
For managerial services	<u>1,356,190</u>	<u>1,753,171</u>

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the Performance of individuals and market trends.

	31 December 2014 US\$	31 December 2013 US\$
Loans and advances to directors	<u>156,285</u>	<u>165,450</u>

Terms and Conditions: The loan amount limit ranges from 100% to 130% of annual salary and is subject to cash flow and Remuneration Committee approval. The annual interest rate is the lower of 50% of minimum Bank lending rate and 150% of the income tax deemed interest rate. The repayment period is six (6) months to two (2) years.

30. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instruments, are disclosed per note 3.

(b) Categories of financial instruments

	31 December 2014 US\$	31 December 2013 US\$
Financial Assets		
Cash and cash equivalents	1,729,139	2,476,137
Loans and receivables and contract receivables	10,546,089	12,652,892
Financial assets carried at fair value through profit or loss	<u>504</u>	<u>504</u>
Financial Liabilities		
Borrowings and payables	<u>11,499,728</u>	<u>14,280,619</u>

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities approximate the carrying values in the statement of financial position as at 31 December 2014.

31. Financial risk management

The entity's financial liabilities comprise bank loans and overdrafts and trade and other payables. The main purpose of these financial instruments is to raise finance for the entity's operations. The entity has various financial assets such as trade receivables, cash and short term deposits which arise directly from its operations. The entity does not use derivative financial instruments in its management of foreign currency risk. Derivative financial instruments are not held or issued for trading purposes. The main risks arising from the entity's financial instruments are cash flow risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. Senior Executives of the Group meet on a regular basis to review and agree on policies to manage each of these risks. Treasury management strategies together with currency and interest rate exposures are re-evaluated against revised economic forecasts. Compliance with the Group policies and exposure limits are reviewed at Audit and Risk Committee meetings.

31. Financial risk management (continued)

31.1 Foreign Exchange Risk Management

The Group undertakes certain transactions denominated in currencies other than the US\$ hence exposure to exchange rate fluctuations arises.

The Group's net foreign asset /liability exposure as at period end, determined at the fair market rate of US\$1: ZAR11.98: US\$1: EUR 0.80: US\$1: GBP 0.63, is summarised as:-

	Currency	Foreign Balance Outstanding	2014 US\$ Equivalent	Foreign Balance Outstanding	2013 US\$ Equivalent
Receivables	ZAR	136,250	11,373	-	-
Bank Balances	ZAR	35,245	2,942	60,436	5,675
Payables	ZAR	(1,784,382)	(148,947)	(869,176)	(81,613)
Payables	GBP	(815)	(1,294)	-	-
Receivables	Euro	10,612	13,266	-	-
Payables	Euro	-	-	(1,470)	(1,044)
Bank Balances	M	-	-	1,335,682	44,523
			(122,660)		(32,459)

Foreign currency risk is the risk that the Group may be affected adversely as a result of foreign currency fluctuations on the various currencies that the entity holds. The Group maintains cash and bank balances in various currencies so that payments can be made in the currency of the respective invoices. This covers the entity against short-term foreign currency fluctuations. In addition to this the bulk of the Group's bank and other monetary balances are United States Dollar denominated thereby minimizing the risk. At year-end, the converted values of the non US\$ denominated bank and other monetary balances were minimal and insignificant to the group hence a sensitivity analysis has not been performed for currency foreign fluctuations. The Group has no significant exposure to foreign currency risk at period end.

Abbreviation of currencies:-

ZAR - South African Rand

US\$ - United States Dollar

EURO€-European Euro

M- Mozambican Meticals

Sensitivity analysis

A 10% fluctuation of the United States dollar against other currencies would have increased/ (decreased) equity and profit or loss by the amounts reflected below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes all other variables remain the same.

	Equity US\$	Profit or loss US\$
ZAR		
31 December 2014		
10% appreciation	12,239	12,239
10% depreciation	(14,959)	(14,959)
31 December 2013		
10% appreciation	6,903	6,903
10% depreciation	(8,438)	(8,438)
M		
31 December 2014		
10% appreciation	-	-
10% depreciation	-	-
31 December 2013		
10% appreciation	(4,048)	(4,048)
10% depreciation	4,947	4,947
GBP		
31 December 2014		
10% appreciation	118	118
10% depreciation	(144)	(144)
31 December 2013		
10% appreciation	-	-
10% depreciation	-	-
EURO		
31 December 2014		
10% appreciation	(1,206)	(1,206)
10% depreciation	1,474	1,474
31 December 2013		
10% appreciation	188	188
10% depreciation	(230)	(230)

Fair values of financial instruments

GPB-Great British Pound

The estimated net fair values of all financial instruments approximate the carrying amounts shown in the financial statements. Assets and liabilities denominated in currencies other than the US\$ which were on hand at the statement of financial position date have been valued for the purpose of these financial statements at official rates of exchange as the Directors are of the opinion that the official rate fairly reflects the value of such assets and liabilities for accounting purposes as required by IAS 21: The Effects of Changes in Foreign Exchange Rates.

31.2 Interest risk

The entity's treasury policy limits exposure to interest rate fluctuations by adopting a non-speculative approach to managing interest rate risk and only deals in approved financial instruments. Implementation of treasury policy ensures limited exposure to funding instruments while investment instruments are those which provide risk free returns at variable interest rates and mature within one year.

Sensitivity analysis

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments is as disclosed in note 12 to the consolidated financial statements.

An increase in interest rate by a factor of 10% would have reduced equity and profit or loss by US\$15,833 (2013: US\$ 36,500).

A decrease in interest rate by a factor of 10% would have increased equity and profit or loss by US\$15,833 (2013: US\$36,500).

This analysis assumes all other variables in particular foreign currency exchange rates remain constant.

31.3 Credit risk

Financial assets which potentially subject the entity to concentration of credit risk consist principally of cash, short-term deposits and trade receivables. The entity's surplus cash equivalents and short-term deposits are placed with high quality creditworthy financial institutions. The trade receivables are presented net of the allowance for credit losses and comprise a large, widespread customer base and the Group monitors the performance and financial condition of its customers so that the exposure to bad debts is not significant.

31.4 Liquidity risk

The entity monitors its risk of shortage of funds using a liquidity planning tool. The entity considers the maturity of both its financial investments and financial assets (e.g. receivables) and projected cash flows from operations. The entity's main object is to maintain short term bank loans at a manageable level.

31.5 Capital risk management

The entity manages its capital structure to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of debt and equity.

The capital structure of the entity consists of debt, which includes borrowings disclosed in Note 12, interest bearing borrowings and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The Group's Audit and Risk Committee reviews the capital structure on a quarterly basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Committee, the entity will balance its overall structure through payments of dividends, new share issues and share buy backs as well as the issue of new debt or the redemption of existing debt.

32. Critical accounting estimates and judgments

The entity's Directors makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions made in the preparation of these consolidated financial statements are discussed below.

Revenue recognition and contract accounting

The Directors uses certain assumptions and key factors in the management of and reporting of its contracting arrangements. These assumptions are material and relate to:-

- The estimation of costs to completion and the determination of the percentage of completion;
- The recoverability of under claims;
- The recognition of penalties and claims on contracts; and
- The recognition of contract incentives.

Management is satisfied that at period end the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

Other estimates made

The Directors also makes estimates for:-

- The calculation of the provision for credit losses. In determining recoverability of trade receivables, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group therefore recognises an allowance for credit losses against receivables on a case by case basis.

32. Critical accounting estimates and judgments (continued)

- The determination of useful lives and residual values of items of property, plant and equipment. (Refer to property, plant and equipment accounting policy note 3.7)
- The determination of the fair value of share options. (Refer to note 11).

33. Joint Ventures

33.1 Details of material joint ventures

Name of Joint Venture	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest voting rights held by Masimba 31 Dec 2014 %	Proportion of ownership interest voting rights held by Masimba 31 Dec 2013 %
Masimba Construction Zimbabwe and Reliance (Private) Limited	JMN Airport	Zimbabwe	60	60
Masimba Construction Zimbabwe and Kuchi Construction (Private) Limited	NUST Library	Zimbabwe	50	50
Masimba Construction Zimbabwe and Integrated Construction Projects (Private) Limited	Raw Water Pipeline	Zimbabwe	50	50
Masimba Construction Zimbabwe and Integrated Construction Projects (Private) Limited	Unki Housing and Concrete Works	Zimbabwe	50	50
Masimba Construction Zimbabwe and Tencraft (Private) Limited	Tuli River Bridge	Zimbabwe	50	50

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

The summarised financial information in respect of the Group's material joint venture is set out below :-

	31 December 2014 US\$	31 December 2013 US\$
Non-current assets	2,032	2,372
Current assets	4,940,450	5,555,416
Non-current liabilities	-	-
Current liabilities	3,936,120	4,611,498
	<u>247,466</u>	<u>38,392</u>
	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Revenue	100,192	15,002,280
Profit for the period	16,297	1,045,067
Other comprehensive income	-	-
Total comprehensive income for the period	16,297	1,045,067
	<u>340</u>	<u>344</u>

The above profit for the period includes the following items:-

Depreciation and amortisation

33. Joint Ventures (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture is recognised in the consolidated financial statements.

	31 December 2014 US\$	31 December 2013 US\$
Net assets of joint ventures	1,006,362	948,290
Proportion of the Company's ownership interest in the joint venture	57%	58%
Carrying amount of the Group's interest in the joint venture	<u>573,626</u>	<u>550,008</u>

34. Going Concern

The Directors have assessed the ability of the entity to continue operating as a going concern and believe that the preparation of these 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 entity 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 financial statements.

35. Segment Information

Information reported to the chief decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of operations. The entity's reportable segments under IFRS 8 are as follows:-

- Contracting
- Manufacturing
- Properties and Holdings

Segment revenues and results

The following is an analysis of the Company's revenue and results from the continuing operation by reportable segment:-

	Segment revenue		Segment profit/ (loss) before tax	
	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Contracting	14,848,743	39,974,312	(1,078,101)	820,610
Manufacturing	13,328,216	22,340,137	651,684	452,215
Other	-	-	(228,589)	(821,233)
Total	<u>28,176,959</u>	<u>62,314,449</u>	<u>(655,006)</u>	<u>451,592</u>

Segment revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3

35. Segment Information (continued)

Segment assets and liabilities

	31 December 2014 US\$	31 December 2013 US\$
Segment assets		
Contracting	13,784,399	14,721,743
Manufacturing	10,267,196	9,513,061
Other	9,917,586	13,215,565
	<hr/>	<hr/>
Consolidated total assets	33,969,181	37,450,369
	<hr/>	<hr/>
Segment Liabilities		
Contracting	10,597,656	12,697,668
Manufacturing	2,285,346	2,882,418
Other	974,126	1,276,105
	<hr/>	<hr/>
Consolidated total liabilities	13,857,128	16,856,191
	<hr/>	<hr/>

Other segment information

	Depreciation		Capital Expenditure	
	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Contracting	1,080,345	1,707,544	106,083	768,747
Manufacturing	697,870	994,118	1,268,473	552,641
Other	102,025	266,458	-	23,448
	<hr/>	<hr/>	<hr/>	<hr/>
	1,880,240	2,968,120	1,374,556	1,344,836
	<hr/>	<hr/>	<hr/>	<hr/>

36. Events after reporting period

Subsequent to the year end, the Board resolved to restructure the Group operations through the declaration of a divided-in-specie of the Net Asset Value of the Proplastics business operations and subsequently listing Proplastics as a separate entity on the Zimbabwe Stock Exchange. Details of this transaction are to be communicated to Shareholders through a circular and a prelisting statement. In view of the timing and the nature of the transaction, no adjustments have been made for this event in these financial statements.

37. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2015.

	Notes	2014 US\$	2013 US\$
Assets			
Investments in subsidiaries	2	17,025,535	17,025,535
Total non-current assets		17,025,535	17,025,535
Current assets			
Other receivables		-	2,597
Group receivables-Masimba Industries (Private) Limited	4	496,977	586,114
Total current assets		496,977	588,711
Total assets		17,522,512	17,614,246
Equity and liabilities			
Capital and reserves			
Share capital	3	2,204,937	2,204,937
Share premium		260,063	260,063
Reserves		14,876,427	14,876,427
Share based payment reserve		2,570	223,653
Retained earnings		153,785	37,736
Total equity		17,497,782	17,602,816
Current liabilities			
Other payables		24,730	11,430
Total current liabilities		24,730	11,430
Total equity and liabilities		17,522,512	17,614,246



G. Sebborn
 Chairman
 26 March 2015



C. Malunga
 Chief Executive Officer
 26 March 2015

	12 Months to 31 December 2014 US\$	18 Months to 31 December 2013 US\$
Revenue	-	-
Cost of Sales	-	-
	<hr/>	<hr/>
Gross Profit	-	-
Dividend received-Masimba Industries (Private) Limited	-	1,019,127
Administration costs:-		
-Annual General Meeting and Board Meeting expenses	(3,578)	(19,456)
-General	(45,525)	(62,467)
-Financial Statements publication cost	(43,623)	(46,054)
-Share based payment expenses	(10,939)	(44,022)
-Travel and other expenses	(7,397)	(21,086)
-Zimbabwe Stock Exchange subscription	(4,911)	(3,000)
	<hr/>	<hr/>
(Loss)/profit before tax	(115,973)	823,042
Income tax	-	-
	<hr/>	<hr/>
(Loss)/profit for the year/period	(115,973)	823,042
	<hr/>	<hr/>
(Loss)/Profit for the year/period	(115,973)	823,042
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive (loss)/income for the year/period	(115,973)	823,042

	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Cash flows from operating activities		
(Loss)/profit for the year/period before interest and tax	(115,973)	823,042
Adjustments for:-		
Dividend received	-	(1,019,127)
Expense recognised in respect of equity-settled share based payments	10,939	44,022
Other non-cash items	-	2,598
Net cash from operations before working capital changes	(105,034)	(149,465)
Decrease/(increase) in other receivables	2,597	(2,598)
Decrease/(increase) in group receivables	89,137	(559,824)
Decrease in Group payables	-	(292,788)
Increase in other payables	13,300	11,430
Cash utilised in operations	-	(993,245)
Dividend received	-	1,019,127
Net cash utilised in operating activities	-	25,882
Cash flow from financing activities		
Dividend paid	-	(25,882)
Net cash used in financing activities	-	(25,882)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year/period	-	-
Cash and cash equivalents at the end of the year/period	-	-

	Share Capital US\$	Share Premium US\$	Share based Payment Reserve US\$	Distributable Reserve US\$	Non- Distributable Reserve US\$	Accumulated Losses US\$	Total US\$
Balance as at 30 June 2012	2,147,746	82,733	179,631	-	14,876,427	(527,501)	16,759,036
Share based payments	625	1,973	44,022	-	-	46,620	-
Shares issued	56,566	175,357	-	-	-	(257,805)	(25,882)
Profit for the period	-	-	-	-	-	823,042	823,042
Balance as at 31 December 2013	2,204,937	260,063	223,653	-	14,876,427	37,736	17,602,816
Share based payments	-	-	10,939	-	-	-	10,939
Reclassification	-	-	(232,022)	-	-	232,022	-
Loss for the year	-	-	-	-	-	(115,973)	(115,973)
Transfer	-	-	-	12,000,000	(12,000,000)	-	-
Balance as at 31 December 2014	2,204,937	260,063	2,570	12,000,000	2,876,427	153,785	17,497,782

The Directors resolved to transfer US\$12,000,000 from non-distributable reserves to distributable reserves.

Non-distributable reserves arose as result of change in functional currency from Zimbabwe dollars to United States of America Dollars

1. Accounting policies

The accounting policies are set out on pages 26 – 36

2. Investment in subsidiaries.

31 December 2014 US\$	31 December 2013 US\$
17,025,535	17,025,535

The value of the investments in subsidiaries was established as the net asset value of the subsidiary companies at the time of dollarisation in 2009. The Company has investments in the following directly and indirectly held subsidiaries:-

	2014	2013
	Percentage Held %	
Axwort Investments (Private) Limited-dormant	100	100
Caridorn Abrasives (Private) Limited-dormant	100	100
Chimene Investments (Private) Limited-dormant	100	100
Masimba Properties Limited	100	100
Mobile Steel Construction (Private) Limited-dormant	100	100
Masimba Corporate Services (Private) Limited-dormant	100	100
Masimba Estates Limited	100	100
Masimba Industries (Private) Limited	100	100
Promouldings (Private) Limited-dormant	100	100
Proplastics (Private) Limited-dormant	100	100
Regional Contracting Services Limited-dormant	100	100
Rintl Investments (Private) Limited-dormant	100	100
Stemrich Investments (Private) Limited-dormant	100	100
Westminster (Proprietary) Limited-dormant	100	100
Prespeen Investments (Private) Limited-dormant	100	100
Huldwash Investments (Private) Limited-dormant	100	100
Wareput Investments (Private) Limited-dormant	100	100

3. Share capital

	31 December 2014 US\$	31 December 2013 US\$
Authorised and issued share capital		
Authorised		
875 000 000 ordinary shares of US\$0.01 each	8,750,000	8,750,000
Issued		
220,493,732 (2013: 220,493,732) ordinary shares of US\$0.01 each	2,204,937	2,204,937

4. Subsidiary company balances

	31 December 2014 US\$	31 December 2013 US\$
Due from Masimba Industries (Private) Limited	496,977	586,114

As At 31 December 2014

Range	Number of Shareholders	% of Holders	Holdings	% of Issues Shares
1-500	124	13.83	24,408	0.01
501-1,000	107	11.94	74,185	0.03
1,001 – 5,000	292	32.59	781,158	0.35
5,001 -10,000	118	13.17	866,054	0.39
10,001 – 50,000	131	14.62	2,717,530	1.23
50,001 and over	124	13.85	216,030,397	97.99
	896	100	220,493,732	100

Major Shareholders

Rank	Shareholder	Number of Shares	% of Total
1	Zumbani Capital (Private) Limited	102,713,272	46.58
2	Old Mutual Life Assurance Company of Zimbabwe Limited	29,169,195	13.23
3	Stanbic Nominees	27,416,449	12.43
4	Standard Chartered Nominees	15,132,779	6.86
5	Moray Investments Holdings Limited	4,000,000	1.81
6	Roy Turner	3,062,888	1.39
7	National Social Security Authority	2,540,728	1.15
8	Communications & Allied Industry Pension Fund	1,737,234	0.79
9	Marcus Richard Lobb	1,308,500	0.59
10	Catering Industry Pension Fund	1,198,058	0.54
	Other	32,214,629	14.63
		220,493,732	100.00

Analysis by Category

	2014 %	2013 %
Bank, insurance companies and nominees	19.09	17.79
Pension funds, Trust/Property companies	11.02	7.83
Resident individuals and other corporate companies	55.41	62.53
Foreign companies	14.48	11.85
	100	100

Notice is hereby given that the Fortieth Annual General Meeting of the Members of Masimba Holdings Limited for the year ended 31 December 2014 will be held at Crowne Plaza Monomotapa Hotel, 54 Parklane, Harare, Zimbabwe, on 29 May 2015 at 1000 hours.

1. ORDINARY BUSINESS

1.1 Approval of Financial Statements and Reports

To receive, consider and adopt the Annual Financial Statements for the year ended 31 December 2014, including the Directors' and Independent Auditors' reports thereon.

1.2 Approval of Directors' Fees

Approval of Directors' fees for the year ended 31 December 2014.

1.3 Election of Directors

In accordance with Article 114 of the Company's Articles of Association, Messrs. Gregory Sebborn and Paddy Tongai Zhandu (Jnr.) retire by rotation at the Company's Annual General Meeting and being eligible, offer themselves for re-election.

1.4 Auditors

1.4.1 To approve the Auditors' remuneration for the previous year.

1.4.2 To consider re-appointing Messrs. Deloitte & Touche as auditors for the ensuing year.

2. EXTRA ORDINARY BUSINESS

2.1 Distribution of shares in Proplastics Limited via a dividend-in-specie

"That in terms of Article 147 of the Company's Articles of Association, the Directors be and are hereby authorized to distribute to Shareholders registered as such on the Proplastics Distribution Record Date, being 8 May 2015, by way of a dividend-in-specie, the 220,493,732 (two hundred and twenty million, four hundred and ninety three thousand seven hundred and thirty two) ordinary shares in Proplastics on the basis of one (1) Proplastics share for every one (1) Masimba share held. The Directors are authorized to transfer from such amounts from the Company's non-distributable reserves to distributable reserves as may be necessary to enable the dividend-in-specie of Proplastics shares."

2.2. Directors' authority to give effect to the above resolution

"That the Directors of the Company be and are hereby authorized to do any and all such things as may generally be required or necessary to give effect to the above Resolution."

By Order of the Board

MASIMBA CORPORATE SERVICES (PRIVATE) LIMITED
(SECRETARIES)
8 May 2015

NOTE: A member entitled to attend and vote at the Annual General Meeting of Shareholders may appoint a proxy to attend, and speak, and on poll vote in his stead. A proxy need not to be a member of the Company. Forms of proxy must be lodged at the Registered Office of the Company not less than forty eight (48) hours before the time of holding of the meeting.

May 2015	Fortieth Annual Report to be published and mailed to Shareholders
29 May 2015	Fortieth Annual General Meeting of Shareholders, Crown Plaza Monomotapa Hotel
	54 Parklane, Harare, Zimbabwe
September 2015	Interim press results, Analysts' briefing
December 2015	Financial year end
March 2016	Preliminary Announcement to Shareholders, Analysts' briefing
April 2016	Forty-First Annual Report to be published and mailed to Shareholders
May 2016	Forty-First Annual General Meeting of Shareholders, 44 Tilbury Road,
	Willowvale, Harare

CORPORATE AND ADVISORY INFORMATION

Company Registration Number	2784/74
Business Address and Registered Office	44 Tilbury Road, Willowvale, Harare, Zimbabwe
Postal Address	P.O. Box CY490, Causeway, Harare, Zimbabwe
Telephone	+263 4 611 641-5 or 611741-7
Email	enquiries@masimbagroup.com
Fax	+263 4 612986
Website	www.masimbagroup.com
Share Transfer Secretaries	First Transfer Secretaries, 1 Armagh Road, Eastlea, Harare, Zimbabwe
Telephone	+263 4 782869-72
Auditors	Deloitte & Touche Chartered Accountants (Zimbabwe)
	West Block, Borrowdale Office Park, Borrowdale Road, Borrowdale, P.O Box
	267, Harare
Bankers	Standard Chartered Bank Zimbabwe Limited, Africa Unity Square Branch,
	Nelson Mandela Avenue, Harare, Zimbabwe
	FBC Banking Corporation Limited, FBC Centre, 45 Nelson Mandela Avenue,
	Harare, Zimbabwe
Lawyers	Gill, Godlonton & Gerrans Legal Practitioners
	7th Floor, Beverly Court, 100 Nelson Mandela Avenue, P.O. Box 8, Harare,
	Zimbabwe

For the Fortieth Annual General Meeting to be held at Crowne Plaza Monomotapa Hotel, 54 Parklane, Harare, Zimbabwe, on Friday 29 May 2015 at 1000 hours

I/We _____
(Name in block letters)

of _____

being the holder of _____ Shares in the Company hereby appoint:

1. _____ of _____ or failing him/her

2. _____ of _____ or failing him/her

3. the Chairman of the AGM.

As my/our proxy to act for me/us at the AGM for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2) in accordance with the following instructions:

Resolutions	For	Against	Abstain
1. Ordinary Resolution number 1 Adoption of the 2014 Annual Financial Statements and Directors' and External Auditors' reports thereon			
2. Ordinary Resolution number 2 Approval of Directors' remuneration			
3. Ordinary Resolution number 3 Election of Directors			
4. Ordinary Resolution number 4 Approval of Audit Fees and Appointment of External Auditors			
5. Extra Ordinary Resolution number 1 Approval of the distribution of shares in Proplastics Limited via a dividend-in-specie and authorisation of Directors to give effect to the distribution.			

Every person present and entitled to vote at the EGM shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at _____ on _____ 2015

Signature(s) _____

Assisted by me _____

Full name(s) of signatory/ies if signing in a representative capacity (see note 2). (PLEASE USE BLOCK LETTERS).

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the Shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that Shareholder in the appropriate space/s provided as well as by means of a cross whether the Shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorize the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of the entire Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy, or cast them in the same way.
3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:-
 - i. under a power of attorney
 - ii. on behalf of a company

unless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than forty-eight (48) hours before the meeting.
5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's transfer secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the AGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are exactly the same as those on the share register.
10. Please be advised that the number of votes a member is entitled to will be determined by the number of shares recorded on the Share Register by 1600 hours on Wednesday 28 May 2015.

OFFICE OF THE TRANSFER SECRETARIES

First Transfer Secretaries (Private) Limited
1 Armagh Road, Eastlea
Harare
Zimbabwe

REGISTERED OFFICE OF THE COMPANY

44 Tilbury Road,
Willowvale
Harare
Zimbabwe

