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Masimba 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

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

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. They are 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

Proplastics

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

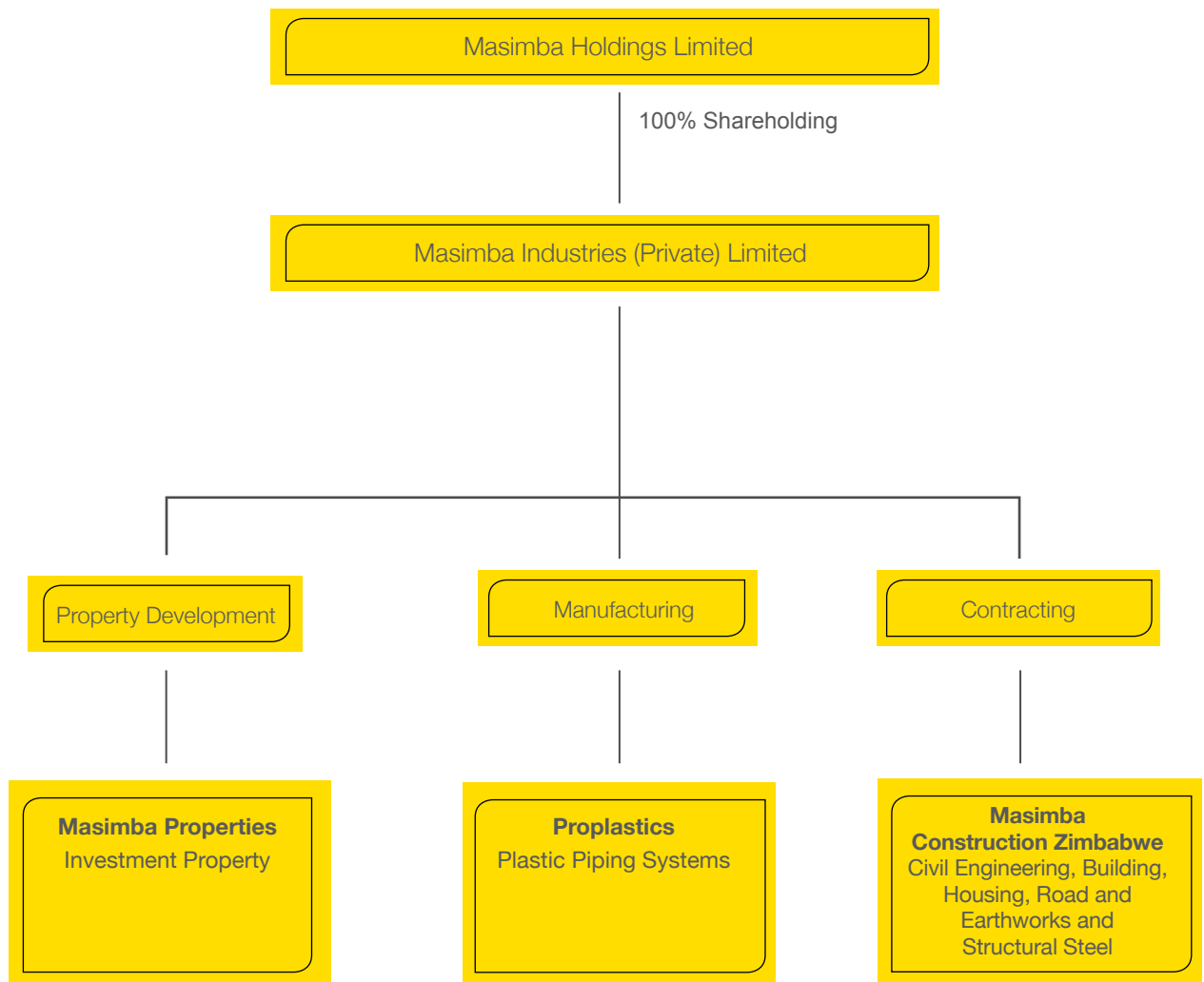
Proplastics is Zimbabwe's leading plastic pipe manufacturer, specializing in the manufacturing of Polyvinyl Chloride (PVC), High-Density Polyethylene (HDPE), Low-Density Polyethylene (LDPE) pipes and related fittings for various applications in irrigation, water and sewer reticulation, mining, telecommunications 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

	18 months to 31 December 2013	12 months to 30 June 2012
Group summary		
Revenue (US\$)	62,314,449	43,018,590
Profit before interest and tax (US\$)	972,891	1,822,792
(Loss)/profit for the period from continuing operations	(60,412)	1,300,417
Total assets		
Value created (US\$)	10,130,077	7,938,997
Payroll costs (US\$)	6,350,963	4,265,673
Cash generated by operations (US\$)	986,285	3,973,397
Total number of employees	1,000	1,998
Ordinary shares performance (US cents)		
Basic (loss)/earnings per ordinary share	(0.03)	0.61
Diluted (loss)/earnings per ordinary share	(0.03)	0.60
Cash equivalent earnings per ordinary share	1.58	0.85
Market price per ordinary share	6.50	5.00
Financial statistics		
Profit before tax on revenue (%)	0.72%	3.83%
Return on average capital employed (%)	(0.30)%	7.01%

Five Year Review

	*2013 US\$	2012 US\$	2011 US\$	2010 US\$	2009 US\$
Summarised income statements ('000')					
Revenue	62,314	43,019	35,624	18,085	9,188
EBITDA** and Fair Value Adjustments	4,298	2,204	2,466	147	1,692
Fair Value Adjustment on Investment Property	(357)	1,362	291	-	-
Depreciation	(2,968)	(1,744)	(1,262)	(1,049)	(312)
Profit/(loss) before interest and tax	973	1,823	1,495	(902)	1,380
Net Interest (paid)/received	(521)	(176)	(84)	73	17
Profit/(loss) before tax	452	1,647	1,411	(829)	1,397
Taxation	(512)	(347)	(275)	759	679
(Loss)/profit attributable to ordinary shareholders	(60)	1,300	1,136	(70)	2,075
Summarised statements of financial position ('000')					
Non-current assets	17,370	18,974	15,165	14,262	14,748
Current assets	20,081	19,297	16,491	9,099	12,169
Equity and reserves	20,594	19,270	17,826	16,548	17,006
Non-current liabilities	3,409	2,896	1,991	1,720	2,877
Current liabilities	13,447	16,105	11,838	5,093	7,034
Net debt	3,650	3,112	1,600	567	111

*Financial period is 18 months

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

Ratio and Statistics

	18 months to 31 December *2013 US\$	12 months to 30 June 2012 US\$
Earnings (US cents)		
Basic (loss)/earnings per ordinary share	(0.03)	0.61
Headline (loss)/earnings per ordinary share	(0.01)	0.62
Diluted (loss)/earnings per ordinary share	(0.03)	0.60
Cash equivalent earnings per ordinary share	1.58	0.86
Profitability		
PBIT on turnover	1.56%	4.24%
PBIT on average capital employed excluding cash (LAT)/PAT on average ordinary shareholders' funds	4.67%	9.38%
	0%	7.01%
Productivity		
Payroll cost on turnover	10.19%	9.92%
Total average asset turnover	1.64	1.23
Value created (US\$)	10,130,077	7,938,997
Value ratio	1.60	1.86
Finance		
Debt to equity	17.72%	16.15%
Current assets to current liabilities	1.49	1.20
Share performance		
Ordinary shares in issue (millions)	220.5	214.8
Share price at period end (US cents)	6.5	5
Market capitalisation (US\$ millions)	14.30	10.74
Other		
Number of employees- period end	1,000	1,998

Definitions

Average	Arithmetic average between consecutive year period end
Capital employed	Permanent capital, long term loans and deferred tax
Cash equivalent earnings	PAT adjusted for the effects of non-cash items
Earnings per ordinary share	Earnings after tax net of non-operating items, divided by the weighted average ordinary shares in issue
PAT	Profit after tax attributable to ordinary shareholders
LAT	Loss after tax attributable to ordinary shareholders
PBIT	Profit before interest and tax
PBT	Earnings before taxation
Net asset value	Ordinary shareholders' funds
Permanent capital	Ordinary shareholders' funds
Total liabilities	Borrowings and non-interest bearing debt
Value ratio	Value created as a multiple of payroll cost

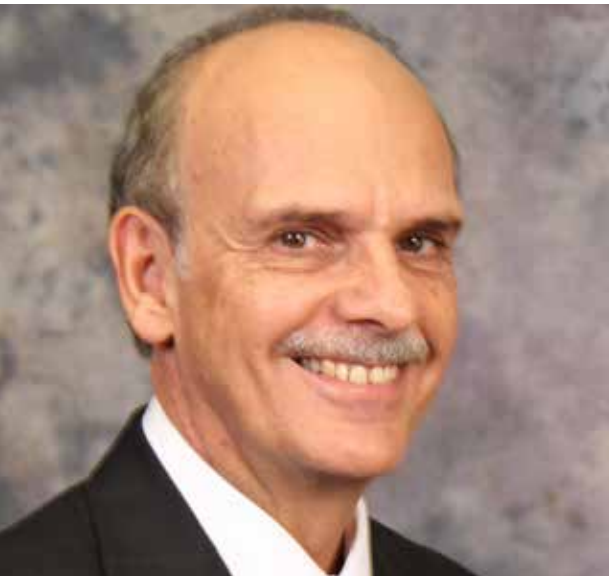
*Non-operating items are excluded when computing these statistics.

Statement of Value Created

For the period ended 31 December 2013

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Revenue	62,314,449	43,018,590
Less cost of materials, services and sub-contracts	(52,812,300)	(37,383,829)
	9,502,149	5,634,761
Investment and other income	627,928	2,304,236
Value created	10,130,077	7,938,997
Distributed as follows:		
To employees:		
Payroll cost	6,350,963	4,265,985
To providers of finance:		
Interest paid	555,004	404,767
To Government:		
Company tax	316,402	224,067
Retained in the business		
To fund expansion-retained (loss) /profit	(60,412)	1,300,417
To replace assets- depreciation	2,968,120	1,743,761
	10,130,077	7,938,997

Chairman's Statement



Gregory Sebborn
Chairman

Introduction

Following the recent shareholders' resolution to change the Company's financial reporting period end to 31 December from 30 June, this statement and the accompanying audited financial statements therefore relate to the eighteen (18) month period ended 31 December 2013, with the comparative period being for the twelve (12) month ended 30 June 2012.

Operating Environment

During the period under review Zimbabweans held peaceful Parliamentary and Presidential elections. Throughout the period the economy experienced significant liquidity constraints which had an adverse impact on business operations, and this trend has continued since the conclusion of the elections.

The economic environment, during the review period, has however been increasingly more difficult and has been

characterised by a stifling liquidity problem, which has affected most of the key drivers in the economy. As the cash squeeze has progressively tightened, particularly in the last six (6) months of the reporting period, funding for construction activity has diminished and large projects are few and far between. The profile in the construction sector has shifted to smaller scale projects and consequently, a larger number of these smaller projects are being run at any one time in order to operate at a profitable level of activity. This presents additional challenges in respect of resources

deployment and management oversight but the Group has effectively responded to these challenges. The ability to secure payment for work carried out in accordance with contractual terms has become a problem in some areas, resulting in further challenges in cash flow planning and management.

Group Performance

Group revenue for the eighteen (18) month period was

\$62,314,499 compared to \$43,018,590 for the twelve (12) month period ended 30 June 2012. This is a 45% increase over the comparative period to 30 June 2012. While this is a commendable achievement under the challenging conditions, the Group has experienced noticeable decline in monthly revenues since the elections which has been a result of the liquidity constraints noted above.

The Group achieved higher gross profit margins of 17% compared to the last reporting period of 15%, driven by a major drive for efficiencies in the group undertaken during the period. An EBITDA of \$3,941,011 was recorded for the full eighteen (18) months compared to \$3,566,553 for the previous twelve (12) months. In addition the Group has managed to show a net positive cash flow of \$489,348 for the period under review.

As stated above, the operating environment has proved difficult during the review period and is becoming increasingly more so. Consequently, the Directors have taken steps to ensure that overheads and business activities are appropriately structured so as to weather the current operating environment and more importantly, to ensure that the Group is well positioned to respond to an anticipated recovery in economic activity. Some tough decisions have been taken as this recovery is not anticipated to occur in the short term and it is therefore important that the Group maintains a streamlined and efficient operating profile at present. This will not be at the expense of identifying and targeting new growth opportunities and there are some interesting prospects currently being considered.

The plant will be commissioned towards the end of the first half of this calendar year, and should further strengthen Proplastics' position in the mining and agriculture sectors.

Chairman's Statement (Cntd.)

“The Group achieved higher gross profit margins of 17% in the period under review...”

The re-alignment of Group activities during the period has resulted in a once-off charge to earnings of \$1,250, 000. There was an additional charge of \$357, 000 to earnings which represents a fair value adjustment to property values as a consequence of a general slump in the property sector. Furthermore, properties with a value of \$645 000 were disposed of and proceeds applied to the reduction of Group borrowings. These efforts have improved the Group's cost base going forward and offer an opportunity to weather the likely scarcity of projects in the short term while positioning the Group for the long-term opportunities offered by the many pressing areas where Zimbabwe has poor or inadequate infrastructure.

Proplastics continues to enjoy moderate levels of demand despite countrywide cash flow issues. The Board anticipates that demand for HDPE piping systems in particular is likely to remain buoyant in the near term. In this regard the Board has approved an expansion plan aimed at manufacturing large bore HDPE pipes at its Ardbennie premises. The plant will be commissioned towards the end of the first half of this coming financial year, and should further strengthen Proplastics' position in the mining and agriculture sectors.

As at 31 December 2013 the Group's direct exposure to Government and quasi-Government was \$5,728,000. These amounts are mainly in Masimba Construction. Efforts to recover these amounts are ongoing and the Board remains confident that the amounts are fully recoverable.

Prospects

We anticipate that business conditions will remain constrained

in the new year with continuing liquidity challenges. Politically, there are indications of moves towards a thawing in relations with some Governments in the European Union. In addition, there are ongoing discussions with multilateral institutions, which are a positive indication of intent by the Government. Whilst these initiatives will not lead to a short term uplift in activity, we believe that the trend-line is positive and that investment and aid flows will inevitably follow as Government actively pursues an environment which is geared toward growth and development.

The large backlog in infrastructure development points to longer term potential for Masimba Construction. Government statistics suggest that this sector has grown at rates in excess of 10% since 2009, and projects the same rate of growth in coming years. Government has also announced that it will continue with infrastructure development projects by way of joint venture partnerships or similar arrangements, with local players being given preference if they have the capacity. Whilst this is positive news for our construction business, the real key driver will be Government's ability to harness and mobilize the financial resources required to kick-start these infrastructure projects. There is much work to be done in order to achieve this and we follow political developments with a keen interest in the future.

Mindful of the potential liquidity trap typically associated with Government projects, the Group will continue to participate in Government construction projects. Where possible, the Group will endeavor to participate in the creation of financial solutions for such projects without introducing unnecessary risk to the Group.

Chairman's Statement (Cntd.)

Opportunities in the mining sector are evident but this sector is in need of significant investment if it is to realise its true potential. Such investment will only occur once Government and the mining community reach a consensus on appropriate investment conditions and a social contract that achieves support from all stakeholders. In the absence of these, contracting opportunities will remain limited.

Dividend Declaration

An interim dividend of \$0.0012 per share was declared (in cash or scrip) and paid on 11 October 2013. In total the cash outflow of the Company amounted to \$25,882 as 90% of shareholders elected for the scrip dividend. In view of the reported loss after tax in the eighteen (18) month period of \$60,412, a final dividend has been passed.

The interim dividend was declared in line with the Company policy to declare a twice covered dividend each year.

However, in the current environment where liquidity challenges remain, this policy will continue to be pursued through the scrip dividend alternative that does not consume Company cash while offering the shareholders improved liquidity in the counter, opportunity to increase shareholding in the Company for those who opt for scrip and a liquidity mechanism for shareholders opting to sell their scrip dividend.

Directorate

Mr. Stewart Mangoma resigned as Chief Executive Officer and board member effective 28 February 2013. We thank him for the valuable contribution he made to the Group. He was replaced by Mr. Canada Malunga, whom prior to his appointment was a non-executive director.

Honourable Paddy Tendayi Zhanda (Snr) resigned from the Board on 27 September 2013 following his appointment to

Where possible, the Group will endeavor to participate in the creation of financial solutions for such projects without introducing unnecessary risk to the Group.



Chairman's Statement (Cntd.)

the position of Deputy Minister of Agriculture. He had served on the board for nineteen (19) years, most of that time as Chairman of the Board. His insight and leadership will be missed and we wish him great success in his new role.

Mr. Michael Tapera was appointed Finance Director and member of the board effective 5 September 2013. Mr Paddy Tongai Zhandu (Jnr) was appointed to the board as non-executive director effective 25 October 2013.

We welcome the new board members and wish them great success at Masimba.

Appreciation

I wish to extend a special thank you to my colleagues on the board for their support during the period. I would also like to thank management and staff for their commitment

and dedication towards delivering value to the stakeholders. Last but not least, I extend my appreciation to customers, suppliers and regulatory authorities for their continued support.



G Sebborn
27 March 2014



Opportunities in the mining sector are evident but this sector is in need of significant investment if it is to realise its true potential.

Chief Executive's Report



Canada Malunga
Chief Executive Officer

Introduction

I am pleased to present my report on the Group operations for Masimba Holdings Limited for the eighteen (18) months period ended 31 December 2013. The eighteen (18) months reporting follows the approval by the shareholders to change the Company's financial year to 31 December. This presentation also comes following the successful rebranding of the Company to Masimba Holdings Limited from Murray & Roberts (Zimbabwe) Limited in May 2012.

Group Performance

The Group recorded revenue for the eighteen (18) month period ended 31 December 2013 of \$62,314,449 compared to \$43,018,590 for the twelve (12) month period ended 30 June 2012. The earnings before tax for the period amounted to \$451,592 compared to \$1,646,934 recorded in the twelve month period to June 2012. The earnings before interest taxation, depreciation and amortisation (EBITDA) in the period amounted to \$3,941,011 compared to \$3,566,553 in the prior twelve (12) month period. The EBITDA was eroded by depreciation and interest indicating the low utilisation of plant and constrained cash flow position which in the main is a result of the deteriorating trading conditions characterised by liquidity constraints and depressed public sector infrastructure spend.

The Group achieved higher gross profit margins of 17% in the period under review compared to the last reporting period of 15%, driven by a major drive for efficiencies undertaken during the period. The Group undertook a program aimed at aligning the internal structures to the current operating conditions resulting in once off staff rationalisation and strategic alignment costs of \$1,250,000, whose benefits will be realised in the new year. This amount includes market developments costs of \$139,015 incurred in exploring regional opportunities. In addition the Group properties were revalued by a reputable firm of valuers and this resulted in a negative fair value adjustment of \$357,000.

Notwithstanding the tough business environment, Masimba generated positive cash flows of \$489,348 in the eighteen

(18) month period compared to \$868,861 in the twelve (12) month period to 30 June 2012.

The Group's financial position remained strong with total assets of \$37,450,369 compared to \$38,270,571 as at 30 June 2012. Included in the total assets are Government and Quasi Government debtors of \$5,728,000 that are overdue. The delays in payment by these debtors adversely affected our borrowing levels, which increased by \$537,813 to \$3,649,999 compared to prior period. Significant efforts are being committed to get these amounts settled. Notwithstanding, the current and Debt/Equity ratios remained satisfactory at 1.49 and 17.72% compared to 1.20 and 16.15% respectively as at 30 June 2012.

REVIEW OF OPERATIONS

Masimba Construction

Masimba Construction recorded Turnover and EBT of \$39,974,312 and \$820,610 in the eighteen (18) month period compared to \$26,896,765 and \$531,228 respectively in the period to 30 June 2012. The performance in the period was largely driven by works executed in Mining, Water, Transport, Housing & Amenities and Telecommunication sectors. While the Construction order book at \$51 million is firm, the execution of a number of projects particularly the public sector were disrupted by inadequate funding leading to suspension of these projects and failure to optimise resources.

Masimba construction was the Gold award winner for Safety and Health at Work (SHAW) for the Mashonaland region.

The highlight of the period was the successful completion and commissioning of the iconic Joshua Mqabuko Nkomo International Airport in Bulawayo, named after the late Vice President and Father Zimbabwe, Joshua Mqabuko Nkomo.

The main strategic agenda during the period was the realignment of our project delivery and risk management framework. Notwithstanding the challenges of converting the order book into active projects of scale and actual work being confined to several small sized projects executed during period, the operating margins improved to 17%.

Masimba Construction had total assets of \$14,721,743, as at the reporting date (June 2012: \$17,903,011). The movement in assets is attributable to depreciation in an environment where plant utilisation was suboptimal. Capital expenditure in the period amounted to \$768,747 (2012: \$3,041,512), a further reflection of depressed construction activity.

Proplastics

Proplastics recorded a Turnover and EBT of \$22,340,137 and \$452,215 in the eighteen (18) month period to 31 December 2013 compared to \$16,121,825 and (\$98,627) respectively for the period to 30 June 2012. The operating margins in the period deteriorated from 25% to 23% owing to the low capacity utilisation particularly in the last six months of the reporting period. The performance in the period was mainly driven by Housing (Civils), Agriculture,

Mining, and Exports sectors. Total exports in the period amounted to 5% compared to nil in the prior period.

Proplastics in general, experienced weak demand on its products which fact is largely attributed to the depressed economic activity currently obtaining in the environment. Proplastics volumes in the period amounted to 7,000 tonnes compared to 5,800 tonnes on the twelve (12) months to 30 June 2012. The purchase patterns were largely erratic leading to poor resource optimisation.

Proplastics total assets at 31 December 2013 amounted to \$9,513,061 (June 2012: \$9,675,648). An amount of \$552,641 (June 2012: \$1,012,073) was invested in equipment aimed at improving production efficiencies in Injection Moulding and Extrusion factories.

Masimba Properties and Corporate Office

Masimba properties and corporate office recorded a loss before tax of \$821,233 against a profit before tax of \$1,214,333 in the twelve (12) months to June 2012. This was mainly a result of a negative fair value adjustment on investment properties of \$357,000 compared to a positive fair value adjustment of \$1,362,300 in the comparative period.

The Group properties portfolio of both owner-occupied and investment and properties amounted to \$10,181,000 (June 2012: \$9,864,000).

Chief Executive's Report (Cntd.)

During the period investment and owner-occupied properties valued at \$645,000 were disposed of at a profit of \$86,000 and the proceeds applied to the staff rationalisation project and reduction of borrowings. Masimba Properties has a land bank of 5.4 hectares in Harare, which has been earmarked for development in the new financial year.

Operation Excellence

In 2013 the Group companies' commitment to safety and delivery excellence was recognized by two of the country's premier Safety and Investments organizations, National Social Security Authority (NSSA) and the Zimbabwe Investment Authority (ZIA). Masimba construction was the Gold award winner for Safety and Health at Work (SHAW) for the Mashonaland region. Masimba Construction also won the ZIA Construction Investor of the year for the significant role it plays in national projects. On the other hand the Employers' Confederation of Zimbabwe (EMCOZ) recognised Proplastics as a top Employer of Choice in the Manufacturing sector.

Rebranding

During the period the Company changed its name to Masimba Holdings Limited from Murray & Roberts

(Zimbabwe) Limited. The rebranding was very successful and the Masimba brand has been well supported in the market.

Prospects

I would want to applaud the ZIMASSET policy guideline initiative as it seeks to address the rebuilding of Zimbabwe and focusing on infrastructure spanning Agriculture, Mining, Roads & Transport, Power & Energy, Industrial & Commercial properties.

The Government resources are clearly constrained and will be even more stretched as the economy continues to slide into a forecast recession in 2014. Where possible, Masimba in partnership with local and international partners will seek financial solutions that may unlock some of the infrastructure opportunities in both the private and public sectors. In the meanwhile the Group business unit structures will be continuously evaluated to ensure that they are in line with market developments. Adequate strategies have been put in place to ensure that, should the economic developments suddenly turn for the better, additional capacity will be immediately mobilised through our local and regional partners.

Masimba in partnership with local and international partners will seek financial solutions that may unlock some of the infrastructure opportunities in both the private and public sectors.



Chief Executive's Report (Cntd.)

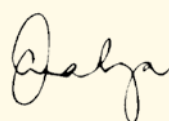
Masimba Construction's order book at \$51 million includes \$30 million of suspended projects due to client funding constraints and it is hoped that any financial support that the Government of Zimbabwe may receive will be applied towards the resuscitation of capital projects that had been put on hold.

Proplastics volumes will benefit from customs duties that came into effect in January 2014, the continued donor funded urban water & sanitation projects, local housing developments and the renewed impetus on Agriculture. The commissioning of a new HDPE pipe plant in June 2014, together with the electrical and plumbing fittings products, launched in 2013, will buttress Proplastics position in the market and provide further leverage for export expansion in the region.

While the company has taken strategic measures to ensure that the business remains viable in a hostile economic environment, the general outlook to December 2014 will be very difficult given the decline in aggregate demand and depressed public sector financial position.

Appreciation

I would like to thank our clients and stakeholders who have continued to be the pillar of our success. I am indebted to our many Masimba men and women who operate in our factories and at our construction sites dotted around the country, and the management team for their unwavering support. Finally I thank the Masimba Board for their guidance and wise counsel during the period.



Canada Malunga
27 March 2014



The rebranding was very successful and the Masimba brand has been well supported in the market.

Mission and 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.

Company Directorate

Gregory Sebborn
*Chairman, Independent,
Non-Executive Director*



Gregory was appointed to the Board on 13 December 2012 and brings in a wealth of experience to Masimba Holdings Limited. Prior to joining the Group, Gregory served as Managing Director of the Zimbabwe and 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, Zimbabwe. He also served as a Partner in Renaissance Partners, a Russian based Investment Bank. Currently a consultant for special mining projects and developments in Africa, he serves as a non-executive Director of several companies including Tetrad Holdings Limited.

Canada Malunga
Chief Executive Officer



Canada was appointed substantive Chief Executive Officer on 1 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 is a past President of the Institute of Chartered Accountants of Zimbabwe. Currently he is a non-executive Director of FBC Holdings Limited. He 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.

Paddy Tongai Zhanda (Jnr)
Non –Executive Director



Paddy was appointed to the Board on 25 October 2013. He holds a Bachelor of Commerce in Accounting Science from the University of South Africa and completed his Articles with Deloitte. He is a director of a number of companies including Aurora Agricultural Ventures & Processors (Private) Limited.

Michael Tapera
Finance Director



Michael joined the Group 1 March 2013 and was appointed Finance Director on 5 September 2013. He qualified as a Chartered Accountant (Zimbabwe) in 1991. Michael 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 and Group Finance Director for Art Holdings Limited. Prior to his appointment, Michael was Head of Advisory Services at HYFLO Consultants (Private) Limited.

Malcom William McCulloch
Non-Executive Director



Malcolm was appointed to the Board as a non-executive Director. He is a past Group Chief Executive Officer of Murray & Roberts Limited in South Africa. Malcolm is a Director of a number of companies, including Reinforcing Steel Contractors.

Samuel Sithole
Non – Executive Director



Samuel was appointed to the Board as a non-executive Director on 3 May 2012. He 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.

Directorate, Executive Committees and Corporate Governance

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 an independent, 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 brought to 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 20 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

Messrs Paddy Tendayi Zhanda (Snr), Stewart Magaso Mangoma and Brian Mabiza resigned with effect from 27 September 2013, 28 February 2013 and 31 December 2012 respectively.

The following were appointed to the Board during the course of the period under review

- Mr Gregory Sebborn, Board Chairman appointed, 13 December 2012;
- Mr Brian Mabiza, Group Finance Director appointed 1 September 2012;
- Mr Michael Tapera, Group Finance Director, appointed 5 September 2013; and
- Mr Paddy Tongai Zhanda (Jnr), Non- executive director, appointed 25 October 2013

Directorate, Executive Committees and Corporate Governance (Cntd.)

Directors' Names

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

- Mr. Gregory Sebborn – Chairman
- Mr. Canada Malunga
- Mr. Michael Tapera, appointed 5 September 2013
- Mr. Malcolm William McCulloch
- Mr. Samuel Sithole
- Mr. Paddy Tongai Zhanda (Jnr), appointed 25 October 2013

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, Malcom 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 deals with compliance, internal control and risk management. 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, that proper accounting records are maintained and the financial information used in the business and for publication is reliable. They attach great importance to maintaining a strong control 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 for the entity, which sets out the entity's core values relating to lawful and ethical conduct of business. All employees have a copy of the Code 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.

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
27 March 2014

Record of Attendance

At Directors meetings for the 2013 financial period

Board member	Status/Position	Board	AGM	Audit	REMCO
No. of meetings		6/6	1/1	5/5	5/5
Gregory Sebborn*	Non- Executive Director and Chairman	5/6	0/1	n/a	3/5
Paddy Tendai Zhanda (Snr)	resigned 27/9/13	4/6	1/1	n/a	3/5
Canada Malunga**	Chief Executive Officer	6/6	1/1	4/5	3/5
Stewart Magaso Mangoma	resigned 28/2/13	2/6	1/1	2/5	2/5
Michael Tapera***	Group Finance Director	0/6	0/1	0/5	n/a
Brian Mabiza	appointed 1/9/12 resigned 31/12/13	0/6	0/1	0/5	n/a
Samuel Sithole	Non- Executive Director	4/6	1/1	5/5	n/a
Malcolm William McCulloch	Non- Executive Director	5/6	1/1	n/a	4/5
Paddy Tongai Zhanda (Jnr) ****	Non- Executive Director	1/6	0/1	n/a	n/a

Mr Gregory Sebborn* is the Board Chairman, was appointed to the Board on 13 December 2012.

Mr Canada Malunga** was appointed Chief Executive Officer effective 1 March 2013.

Mr Michael Tapera*** was appointed to the Board on 5 September 2013.

Mr Paddy Tongai Zhanda (Jnr) **** was appointed to the Board on 25 October 2013.

REMCO refers to Remuneration Committee.

Masimba construction was the Gold award winner for Safety and Health at Work (SHAW) for the Mashonaland region.



Directors' Report

The Directors have pleasure in presenting their Annual Report and the Audited Financial Statements of the Group and the Company for the period ended 31 December 2013. In the report "Group" refers to Masimba Holdings Limited and its subsidiary companies.

Change in financial period

During the period under review the Group changed its financial year end from 30 June to 31 December.

Period's results	US\$
Loss attributable to shareholders	60,412
Dividends	
Interim	257,805
Final	-
Total	257,805
Net transfer against reserves	318,217

Capital Expenditure

Capital expenditure for the period to 31 December 2013 amounted to \$1,344,836. The budgeted capital expenditure for the period to 31 December 2013 was \$3.6 million.

Share Capital

The authorised 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 a total of 5,719,122 ordinary shares of a nominal value of \$0,01 each were issued as follows:-

- 5,656,622 ordinary shares as scrip dividend,
- 62,500 ordinary shares in terms of the Executive Share Option Scheme.

The issued share capital of the Company increased to \$2,204,937 as at 31 December 2013 (June 2012: \$2,147,746) and comprised 220,493,732 (June 2012: 214,774,610) 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

Messrs. Paddy Tendayi Zhanda (Snr), Stewart Magaso Mangoma and Brian Mabiza resigned from the Board with effect from 27 September 2013, 28 February 2013 and 31 December 2012 respectively.

The following were appointed to the Board during the course of the period under review

- Mr Gregory Sebborn, Board Chairman appointed 13 December 2012
- Mr Brian Mabiza, Group Finance Director, appointed 1 September 2012
- Mr Michael Tapera, Group Finance Director, appointed 5 September 2013
- Mr Paddy Tongai Zhanda, Non- executive director, appointed 25 October 2013

Messrs Michael Tapera and Paddy Tongai Zhanda (Jnr) will be retiring in terms of the Articles of Association of the Company and Messrs Canada Malunga and Malcolm William McCulloch 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 period. Your Board recommends that an amount of \$113,557 (June 2012 \$ 92,212) be paid, to be divided amongst themselves at their discretion.

Directors' Report (Cntd.)

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 period to 31 December 2013 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 25.

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 period 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

27 March 2014



C Malunga

Director

27 March 2014

On the other hand the Employers' Confederation of Zimbabwe (EMCOZ) recognised Proplastics as a top Employer of Choice in the Manufacturing sector.







REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MASIMBA HOLDINGS LIMITED

We have audited the accompanying consolidated and Company financial statements of Masimba Holdings Limited (“the Group”) as set out on pages 26 - 73, which comprise the consolidated and the Company statement of financial position as at 31 December 2013, 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 eighteen months 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, and for such internal controls as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Group’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 2013 and of its financial performance and its cash flows for the eighteen months then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements.

Deloitte & Touche
27 March 2014

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 US\$	30 June 2012 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	12,253,294	12,703,542
Investment property	5	5,116,000	6,118,000
Investments	6	504	152,080
Total non-current assets		17,369,798	18,973,622
Current assets			
Cash and cash equivalents		2,476,137	1,986,789
Contracts in progress and contract receivables	8	8,420,183	7,268,615
Trade and other receivables	9	4,232,709	4,299,758
Inventories	10	4,951,542	5,659,718
Current tax assets		-	82,069
Total current assets		20,080,571	19,296,949
Total assets		37,450,369	38,270,571
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	11	2,204,937	2,147,746
Share premium		260,063	82,733
Reserves		16,431,082	15,132,449
Retained earnings		1,698,096	1,906,927
Total equity		20,594,178	19,269,855
Non-current liabilities			
Borrowings	12	833,333	750,000
Deferred tax	13	2,575,572	2,145,896
Total non-current liabilities		3,408,905	2,895,896
Current liabilities			
Borrowings	12	2,816,666	2,362,186
Trade and other payables	14	6,703,776	10,959,915
Subcontractors	15	3,880,455	2,782,719
Current tax payable		46,389	-
Total current liabilities		13,447,286	16,104,820
Total equity and liabilities		37,450,369	38,270,571



G. Sebborn
Chairman
27 March 2014



C. Malunga
Chief Executive Officer
27 March 2014

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the eighteen months ended 31 December 2013

	Notes	18 months to 31 December 2013 US\$	12 months to June 2012 US\$
Revenue	16	62,314,449	43,018,590
Cost of sales		(51,574,556)	(36,400,406)
Gross profit		10,739,893	6,618,184
Fair value adjustment		(357,000)	1,362,300
Other operating income	17	951,223	713,027
Distribution expenses		(345,560)	(302,046)
Administration expenses	18	(10,015,665)	(6,568,673)
Profit before interest and tax		972,891	1,822,792
Interest received		33,705	228,909
Finance costs		(555,004)	(404,767)
Profit before tax	19	451,592	1,646,934
Income tax expense	20	(512,004)	(346,517)
(Loss)/profit for the period		(60,412)	1,300,417
Other comprehensive income, net of income tax			
Gain on revaluation of property		1,731,477	-
Deferred tax on revaluation surplus	13	(362,533)	-
		1,368,944	-
Exchange difference on translating foreign operations:- Exchange differences arising during the period		(4,947)	1,430
Available for sale financial assets:- Loss arising from revaluation of available for sale financial assets during the period		-	(5,701)
Deferred tax on revaluation of available for sale assets		-	58
		-	5,643
Reclassification relating to available for sale financial assets disposed of during the period		-	(71)
Other comprehensive income for the year, net of tax		1,363,997	(4,284)
Total comprehensive income for the year		1,303,585	1,296,133
(Loss)/earnings per share			
Number of shares		220,493,722	214,774,610
Basic (loss)/ earnings per share (cents per share)	21	(0.03)	0.61
Diluted (loss)/earnings per ordinary share (cents per share)	21	(0.03)	0.60

Consolidated Statement of Changes in Equity

for the eighteen months ended 31 December 2013

	Issued capital US\$	Share premium US\$	Non distributable reserve US\$	Revaluation reserve 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 2011	2,142,746	41,430	14,862,591	10,135	(30,724)	78,379	115,100	606,510	17,826,167
Profit for the year	-	-	-	-	-	-	-	1,300,417	1,300,417
Other comprehensive income for the year	-	-	-	-	1,430	-	(5,714)	-	(4,284)
Share based payments	5,000	41,303	-	-	-	101,252	-	-	147,555
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

Consolidated Statement of Cash Flows

for the eighteen months ended 31 December 2013

Note	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Cash flows from operating activities		
Profit for the period before interest and tax	972,891	1,822,792
Adjustments for:		
Depreciation of non-current assets	2,968,120	1,743,761
Dividend received	(520)	(7,724)
Fair value adjustment of investment property	357,000	(1,362,300)
Impairment of investment	139,015	-
Fair value adjustment of shares designated as at fair value through profit and loss	-	297
Expense recognised in respect of equity-settled share based payments	44,022	147,555
Profit on disposal of investments	(3,579)	9,303
Unrealised exchange gain	(2,360)	(22,403)
Loss on disposal of property, plant and equipment	86,442	18,819
Profit on disposal of investment property	(40,000)	-
Debtor amounts written off	-	25,421
	4,521,031	2,375,521
Decrease/(increase) in inventories	708,176	(343,500)
Increase in contracts in progress and contract receivables	(1,151,568)	(1,537,783)
Decrease/(increase) in trade and other receivables	67,049	(25,249)
(Decrease)/increase in trade and other payables and sub-contractors	(3,158,403)	3,504,408
	986,285	3,973,397
Cash generated from operations		
Net interest paid	(521,299)	(175,858)
Dividend received	520	7,724
Income taxes paid	(316,402)	(224,067)
	149,104	3,581,196
Net cash generated by operating activities		
Cash flow from investing activities		
Payments for property, plant and equipment:	4	
-To maintain operations	(1,344,836)	(1,230,861)
-To expand operations	-	(3,041,512)
Payments to acquire financial assets	(139,015)	-
Proceeds on sale of financial assets	155,165	41,775
Proceeds from disposal of property, plant and equipment	471,999	6,077
Proceeds from disposal of investment property	685,000	-
	(171,687)	(4,224,521)
Net cash used in investing activities		
Cash flow from financing activities		
Dividend paid	(25,882)	-
Increase in borrowings	537,813	1,512,186
	511,931	1,512,186
Net cashflows from financing activities		
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	1,986,789	1,117,928
	2,476,137	1,986,789
Cash and cash equivalents at the end of the period		

Accounting Policies

For the period ended 31 December 2013

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.

1.1 NATURE OF BUSINESS

The principal activities of the Company are civil engineering and building contracting. 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 July 2012. The amended standards, described below, did not have a material impact on the financial position or performance of the Group:

- IAS 1 Presentation of Financial Statements (revised May 2010): The amendment requires that items of other comprehensive income (OCI) be grouped into items that would be classified to profit or loss at a future point and items that will never be reclassified to profit or loss. This amendment does not change items that are recognised in OCI. The amendment has been applied retrospectively, and hence the presentation of items in OCI have been modified to reflect the changes. The amendment affects presentation only and has no effect on the Group's financial position or performance. Effective for annual periods beginning on or after 1 July 2012.
- IAS 12 Deferred Tax: recovery of Underlying Assets Amends: IAS12 Income Taxes provide a presumption that recovery of the carrying amount of an asset measured using fair value model in IAS 40 Investment property will, normally, be through sale, as a result of the amendments, SIC 12 Income Taxes-Recovery Of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-12, which is accordingly withdrawn. Effective for annual periods beginning on or after 1 July 2012.

2.2 *New and revised IFRSs in issue but not mandatorily effective and 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 been applied in preparing these financial statements. These include:-

- 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. Effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 Joint Arrangements, amendments based on 'control' as defined in IFRS 10, further classifies joint arrangements into two categories compared to the three categories in IAS 32. The changes will require management to exercise judgment to determine classification of current joint arrangements and treatment thereof. Effective for periods beginning on or after 1 January 2013.
- 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. Effective for annual periods beginning on or after 1 January 2013.
- Revised IAS 27 Consolidated and Separate Financial Statements, reissued as IAS 27 Separate Financial Statements. Effective for periods beginning on or after 1 January 2013.

Accounting Policies (Cntd.)

For the period ended 31 December 2013

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

- 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. Effective for annual periods beginning on or after 1 January 2013.

2.3 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 7 Financial Instruments: Disclosures: Amendments enhancing disclosures about offsetting of financial assets and financial liabilities. Effective for annual periods beginning on or after 1 January 2013.
- IFRS 9 Financial Instruments-Classification and measurement of financial assets. Effective for annual periods beginning on or after 1 January 2015.
- IFRS 9 Financial Instruments – Accounting for financial liabilities and derecognition. Effective for annual periods beginning on or after 1 January 2015.
- IFRS 13 Fair Value Measurement, defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. Effective for annual periods beginning on or after 1 January 2013.
- Revised IAS 19 Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects. Effective for annual periods beginning on or after 1 January 2013.
- Revised IAS 32 Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities. Effective for annual periods beginning on or after 1 January 2014.
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. Effective for annual financial statements for periods beginning on or after 1 January 2014.

The 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.

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.

3.2 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the International Financial Reporting Interpretations Committee (IFRIC) interpretations, 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 period.

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

The preparation of financial statements requires the use of estimates and assumptions that affect the reported

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 shareholder's meeting.

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.

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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

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. reclassifies 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 as association 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 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:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised 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 payment 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 under joint arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized 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 recognized 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

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For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 recognized 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 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 recognised losses, the surplus is shown as

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For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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.

3.6.5 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 recognized 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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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	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 may be 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

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For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 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 recognized 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.

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 realizable 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 re-translated 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 re-translated 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 re-translated. 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;
- 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 receivables 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 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.

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.

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For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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. Or 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 market place.

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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 re-measurement 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.

3.13.2 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.

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, and others [describe]]) 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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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-organisation; 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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 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.

3.13.3 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 at 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.

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. Conversion option that will be settled by the

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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, 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 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.

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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 estimates, 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.

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.

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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.18.2 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.

3.18.3 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 are 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.

3.19.3 Termination benefits

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.

3.19.4 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

Accounting Policies (Cntd.)

For the period ended 31 December 2013

3. Summary of significant accounting policies (continued)

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. Cash balances are excluded.

3.21.4 Segment liabilities

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

Notes to the Financial Statements

For the period ended 31 December 2013

4 Property, plant and equipment

COST/ REVALUATION	Freehold	Plant &	Motor	Furniture &	Total
	land & buildings US\$	machinery US\$	vehicles US\$	office equipment US\$	
Balance at 30 June 2011	3,746,500	7,205,646	1,308,116	305,698	12,565,960
Additions	-	3,086,081	1,107,099	79,193	4,272,373
Disposals			(31,177)	(3,028)	(34,205)
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
ACCUMULATED DEPRECIATION					
Balance at 30 June 2011	158,560	1,632,950	387,415	187,210	2,366,135
Depreciation expense	79,284	1,228,687	376,097	59,693	1,743,761
Eliminated on disposal	-	-	(7,265)	(2,045)	(9,310)
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
CARRYING AMOUNT					
Balance at 30 June 2011	3,587,940	5,572,696	920,701	118,488	10,199,825
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

4.1 Encumbrances on property, plant and equipment

Freehold land and buildings with a carrying amount of approximately \$5.1 million have been pledged to secure borrowings of the Group. This was done by way of a deed of hypothecation for \$5.1 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 4496 Salisbury Township of Salisbury. Moveable property is encumbered as shown in note 12.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

4 Property, plant and equipment (continued)

4.2 Revaluation

In 2013, the Directors engaged an independent valuer; Integrated Properties (Private) Limited, and revalued all freehold land and buildings of the Group. Refer to note 5 for details of the revaluation methodology applied. The effective date of the revaluation was 31 December 2013.

	31 December 2013 US\$	30 June 2012 US\$
5 Investment Property		
At fair value		
Balance at beginning of period	6,118,000	4,755,700
(Loss)/gain on property revaluation	(357,000)	1,362,300
Disposals	(645,000)	-
Balance at end of period	5,116,000	6,118,000

The fair value of investment property has been arrived at on the basis of a valuation carried out at 31 December 2013 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 values and income generated by owner occupied assets are inter-related. The effective date of the revaluation was 31 December 2013.

Fair value measurement of property plant and equipment and investment property

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

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 property, plant and equipment and investment property carried at fair value on the statement of financial position.

The following table presents property, plant and equipment and investment property recognised at fair value in the statement of financial position of the Group:

	2013			
	Level 1	Level 2	Level 3	Total carrying amount
Freehold land & buildings	-	1 380 500	-	1 380 500
Investment property	-	5 116 000	-	5 116 000

There were no transfers of property, plant and equipment and investment property 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\$356,756 (June 2012: US\$177,609). Direct operating expenses arising on the investment property amounted to US\$250,271 (June 2012:US\$100,404).

6. Investments

Financial assets carried at fair value through profit and loss
Available for sale investments carried at fair value

	31 December 2013 US\$	30 June 2012 US\$
Financial assets carried at fair value through profit and loss	504	494
Available for sale investments carried at fair value	-	151,586
	504	152,080

Available for sale investments are stated at fair value with the change in fair value being recognised through equity. Fair value through profit or loss investments are dated at fair value with the change being recognised through profit or loss.

Movement in the book amount for the period:

Balance at the beginning of period	152,080	209,462
Additions during the period	139,015	-
Impairment	(139,015)	-
Fair value adjustment	10	(15,607)
Disposals	(151,586)	(41,775)
Balance at the end of period	504	152,080

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

7. Foreign assets

There are exchange controls restrictions on the repatriation of assets from countries in which the entity holds financial assets. Net asset values attributable to the entity are situated in the following countries:

	31 December 2013 US\$	30 June 2012 US\$
Mozambique		
Bank and cash balances	92,240	95,510
Mauritius		
Bank and cash balances	8,648	8,648
Botswana		
Plant and equipment	40	40
Accruals	(742)	(742)
	100,186	103,456
8. Contracts in progress and contract receivables		
Contracts receivables in respect of certified work	5,775,814	3,409,658
Contracts receivables in retentions	832,481	1,957,019
Contracts work in progress	1,811,888	1,901,938
	8,420,183	7,268,615
9. Trade and other receivables		
Trade	2,337,469	1,647,726
Other	1,895,240	2,652,032
	4,232,709	4,299,758
Gross trade receivables	2,614,030	1,953,972
Less: allowance for credit losses	(276,561)	(306,246)
	2,337,469	1,647,726
Prepayments	1,238,160	1,758,163
Deposits	106,274	129,304
Other receivables	550,806	764,565
	4,232,709	4,299,758

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

9. Trade and other receivables (continued)

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

	31 December 2013 US\$	30 June 2012 US\$
60 days	361,431	86,589
61-90 days	82,327	3,140
91 days +	390,072	501,341
	833,830	591,070

	31 December 2013 Days	30 June 2013 Days
Debtor days	43	44

Movement in the allowance for doubtful debts

	31 December 2013 US\$	30 June 2012 US\$
Balance at the beginning of the period	306,246	21,032
Net movement in provision for the period	(2,495)	285,490
Bad debts written off	(27,190)	(276)
Balance at the end of the period	276,561	306,246

Book debtors are encumbered as shown in note 12.

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

9. Trade and other receivables (continued)	31 December 2013 US\$	30 June 2012 US\$
Ageing of impaired trade receivables		
180+ days	276,561	306,246
10. Inventories		
Raw materials and consumable stores	678,261	1,562,290
Work in progress	694,445	408,906
Finished goods and manufactured components	3,578,836	3,688,522
	4,951,542	5,659,718

The cost of write down of inventories recognised as an expense during the period was US\$ NIL (June 2012: US\$217,993).

11. Share capital and reserves

Authorised and issued share capital

Authorised

875,000,000 ordinary shares of US\$0.01 each	8,750,000	8,750,000
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Issued

220 493 722 (2012:214 774 610) ordinary shares of US\$0,01 each	2,204,937	2,147,746
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Un-issued 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.

Un-issued share capital	6,545,063	6,602,254
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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 (2012:20,000,000) 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 2013 were as follows:

	31 December 2013 Shares	30 June 2013 Shares
Balance at the beginning of period	6,062,500	1,262,500
Granted during the period	-	5,300,000
Forfeited during the period	(2,100,000)	-
Exercised during the period	(62,500)	(500,000)
Balance at end of period	3,900,000	6,062,500

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

11. Share capital and reserves (continued)

A valuation was carried out by professional valuers as at 30 June 2012. The estimated fair values of options granted were determined using Black Scholes model in accordance with IFRS 2 with the following inputs and assumptions:

	31 December 2013	30 June 2012
Grant date share price (US\$)	0.150	0.150
Exercise price (US\$)	0.155	0.155
Expected volatility	63.33%	63.33%
Dividend yield	0.00%	0.00%
Risk-free interest rate	4.42%	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 22 July 2010 to 14 July 2011.

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 riskless security over a specified time horizon. There are currently no government issued securities in Zimbabwe. Given that the valuation was done in United States Dollars, the risk free rate was estimated based on the yield on ten (10) year treasury bills issued by the Federal Reserve Bank of the United States of America of 2.02%, adjusted for the inflation differential between Zimbabwe and the United States of America.

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

	31 December 2013 US\$	30 June 2012 US\$
12. Borrowings		
Secured borrowings at amortised costs		
Bank borrowings	3,649,999	3,112,186
Current	2,816,666	2,362,186
Non-current	833,333	750,000
	3,649,999	3,112,186

The short term loans have 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% (2012:13%) 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.

	31 December 2013 US\$	30 June 2012 US\$
13. Deferred tax		
Balance at the beginning of period	2,145,896	1,991,353
Charge to income statement	67,143	154,668
Charge to other comprehensive income	362,533	(125)
Balance at the end of period	2,575,572	2,145,896
Comprising of:		
Accelerated wear and tear	1,492,738	1,762,196
Uncertified work and claims	734,800	489,749
Retention	42,419	267,805
Un-realised exchange gains	(2,896)	(21,109)
Prepayments	69,491	80,814
Revenue received in advance	(14,973)	(117,141)
Fair value adjustments	(17,850)	1,521
Provision for bad debts	(117,625)	(105,436)
Provision for slow moving stock	(49,593)	(56,133)
Revaluation of property, plant and equipment	362,533	-
Maintenance provision	(48,057)	(36,177)
Other	124,585	(120,193)
	2,575,572	2,145,896

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

	31 December 2013 US\$	30 June 2012 US\$
14. Trade and other payables		
Trade	1,359,483	1,657,645
Accruals	782,299	767,144
Provisions	2,056,507	4,021,734
Other	2,505,487	4,513,392
	6,703,776	10,959,915

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 payable are paid within pre-agreed credit terms.

15. Sub- contractors		
Balance as at period end	3,880,455	2,782,719

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:		

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Revenue from the sale of goods	22,340,137	16,121,825
Construction contract revenue	39,974,312	26,896,765
	62,314,449	43,018,590

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
17. Other operating income		
Rental income	356,756	177,609
Dividend received	520	7,724
Exchange gain/(loss)	214,888	(50,152)
Receipt of finalisation of legal case	-	432,411
Write-back of provision no longer required	-	110,059
Scrap and service sales	421,796	54,195
Sundry income	3,705	-
Loss on disposal of property, plant and equipment	(86,442)	(18,819)
Profit on disposal of investment property	40,000	-
	951,223	713,027
18. Administration expenses		
Advertising and promotions	141,942	54,335
Audit fees	117,400	105,000
Bad debt	37,296	405,804
Bank charges	339,491	84,390
Communication	224,343	119,346
Computer printing and stationery	129,902	97,829
Corporate social investment	34,059	19,185
Depreciation	646,872	310,967
Directors' fees	113,557	92,212
Insurance	189,159	73,324
Licenses and levies	53,641	44,143
Others	669,701	184,861
Premises	208,165	255,371
Professional and subscriptions	457,315	238,232
Rentals	36,350	24,985
Training and recruitment	51,835	51,341
Travel and accommodation	124,324	115,793
Utilities	89,350	25,570
Staff	6,350,963	4,265,673
	10,015,665	6,568,673

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

19. Profit before taxation

Profit before taxation has been arrived at after taking into account the following items which have not been disclosed separately:

	18 months 31 December 2013 US\$	12 months 30 June 2012 US\$
Depreciation	2,968,120	1,743,761
Impairment of investment	139,015	-
Share option expense	44,022	147,555
Pension	954,584	789,714
Compensation to directors and key management	1,753,171	1,454,532
Fair value gain on investments designated at fair value- through profit and loss	10	(297)
Profit/(loss) on disposal of investment	3,579	(9,303)

20. Taxation

Current income tax	(411,331)	(192,412)
Capital gains tax	(33,530)	-
Deferred tax movements as previously reported	(67,143)	(154,105)
Tax per income statement	(512,004)	(346,517)
Reconciliation of current income taxation		
Profit before tax	451,592	1,646,934
Tax at standard rate	(116,285)	(424,085)
Adjusted for:		
Effects of (expenses)/income not deductible for tax	(148,312)	267,496
Effects of other permanent differences	(139,679)	(258,042)
Effects of income taxed at special rates	(107,728)	68,115
Effective tax expense	(512,004)	(346,517)

21. Earnings per share

Basic earning basis

The calculation is based on the profit attributable to ordinary shareholders and the number of shares in issue at the end of the period which participated in the profit of the Company.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

21. Earnings per share (continued)

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:

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Earnings:		
(Loss)/earnings attributable to the equity holders of the Company	(60,412)	1,300,417
Number of shares:		
Weighted average number of shares in issue used in the determination of:		
Basic earnings per share	220,493,722	214,274,600
Diluted earnings per share	223,613,722	216,027,110
(Loss)/earnings per share (US cents):		
Basic	(0.03)	0.61
Diluted	(0.03)	0.60

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 2013, there were 164 members in the scheme.

22.2 Construction Industry Pension Fund

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

22.3 National Social Security Authority (NSSA)

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

22. Retirement benefit costs (continued)

22.4 Pension costs recognised as an expense for the period

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Masimba Holdings Limited Retirement Fund	481,129	398,031
National Social Security Authority	154,045	127,440
Other Funds	319,410	264,243
	954,584	789,714

23. Capital commitments

Capital expenditure authorised, but not contracted for, is US\$2,155,000 (June 2012: US\$3,650,000). The expenditure is to be financed from internal resources and existing facilities.

24. Directors' interest

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

	31 December 2013 shares	30 June 2012 shares
C Malunga	1,135,956	-
S Mangoma	-	700,000
Zumbani Capital	102,713,272	99,792,515

Zumbani Capital (Private) Limited is an indigenous investment vehicle that is 51% owned by Musasa Capital (Private) Limited and 49% by their international partners Capital Africa Investments Holdings Limited of Mauritius (CAIHL). The main representatives in Musasa Capital are Messrs Paddy Tendayi Zhanda (snr) and Canada Malunga, whilst the representatives of CAIHL are Mr Malcolm William McCulloch of Carlmac (Proprietary) Limited of South Africa and Mr Sam Sithole representing the Brait Group, who are all non-executive directors of the Company with the exception of Mr Canada Malunga who is currently the Chief Executive Officer of the Group.

25. Segment information

For the purpose of decision making, allocation of resources and assessment of performance, senior management consider the entity to be four different segments. Current and prior segment information for the contracting, manufacturing, property and corporate 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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

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 adverse effect on the financial condition or future of the Group.

28.2 Bank guarantees in issue as at period end:

	31 December 2013 US\$	30 June 2012 US\$
Performance bonds	978,657	2,827,958
Advance payment bonds	933,459	3,035,379
Retention bonds	959,886	685,910
Bid bonds	-	30,000
Temporary import bonds	-	40,480
	2,872,002	6,619,727

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:

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Short term benefits	2,070,478	1,546,744
Termination benefits	206,494	-
Share based benefits	44,022	147,555
The following amounts are in respect of directors emoluments:		
For services as Directors	113,557	92,212
For consultancy services	203,750	-
For managerial services	1,753,171	1,454,532

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

29. Related party disclosures (continued)

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 2013 US\$	30 June 2012 US\$
Loans and advances to Directors	165,450	152,029

Terms and Conditions: The loan amount limit ranges between 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

Financial assets:

Cash and cash equivalents	2,476,137	1,986,789
Loans and receivables and contract receivables	12,652,892	11,586,373
Financial assets carried at fair value through profit	504	494
Available for sale investments carried at fair value	-	151,585
Financial liabilities:		
Borrowings and payables	14,280,619	16,854,820

(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 2013.

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

31. Financial risk management (continued)

The main risks arising from the entity's financial instruments are cash flow risk, foreign currency risk, interest rate risk, credit risk and liquidity risks. 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.

31.1 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:ZAR10.65, US\$1: EUR 0.71, US\$1: GBP: 0.60 and US\$1: M 0.03 is summarised as:

	Currency	Foreign balance outstanding	2013 US\$ equivalent	Foreign balance outstanding	2012 US\$ equivalent
Receivables	ZAR	-	-	59,483	6,873
Bank balances	ZAR	60,436	5,675	92,794	10,722
Payables	ZAR	(869,176)	(81,613)	(645,265)	(74,556)
Receivables	Euro	-	-	14,253	18,322
Payables	Euro	(1,470)	(1,044)	(57,472)	(73,880)
Receivables	GBP	-	-	593	941
Bank balances	GBP	-	-	4,354	6,911
Bank balances	M	1,335,682	44,523	1,318,815	47,769
			(32,459)		(56,898)

Given the amounts and types of currency held, the Group has no significant exposure to foreign currency risk at period end.

Abbreviation of currencies:

ZAR - South African Rand

US\$ - United States Dollar

GBP- British Pound

M- Mozambican Meticals

Fair values of financial instruments

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 United States Dollars 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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

31. Financial risk management (continued)

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 (1) year.

31.3 Credit risk

Financial assets which potentially subject the entity to concentration of credit risk consists 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 a 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 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 entity uses certain assumptions and key factors in the management of and reporting for 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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

32. Critical accounting estimates and judgments (continued)

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 entity also makes estimates for:

- The calculation of the provision for credit losses. 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 Group therefore recognises an allowance for credit losses against receivables on a case by case basis.
- The determination of useful lives and residual values of items of property, plant and equipment. (Refer to property, plant and equipment accounting policy).
- The determination of the fair value of share options. (Refer to Note 11).

33. Joint ventures

33.1 Details of material joint venture

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest voting rights held by Masimba	
			31 December 2013	30 June 2012
			%	%
Masimba Construction Zimbabwe and Reliance (Private) Limited	JMN Airport	Zimbabwe	60	60
Masimba Construction Zimbabwe and Integrated Construction Projects (Private) Limited	Raw Water Pipeline	Zimbabwe	50	55
Masimba Construction Zimbabwe and Kuchi Construction (Private) Limited	NUST Library	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	-

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

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

33. Joint ventures (continued)

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

	31 December 2013 US\$	30 June 2012 US\$
Current assets	2,839,302	4,563,931
Non-current assets	1,186	40,137
Current liabilities	2,290,480	3,623,497
Non-current liabilities	-	-
The above amounts of assets and liabilities include the following		
Cash and cash equivalent	19,240	168,269

	18 months 31 December 2013 US\$	12 months 30 June 2012 US\$
Revenue	8,004,620	2,852,465
Profit for the period	548,377	627,272
Other comprehensive income	-	-
Total comprehensive income for the period	548,377	627,272

The above profit for the period includes the following items:

Depreciation and amortisation	344	2,907
Interest income	-	192,753

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	31 December 2013 US\$	30 June 2012 US\$
Net assets of joint ventures	550,008	980,571
Proportion of the Company's ownership interest in the joint ventures	51%	54%
Carrying amount of the Group's interest in the joint ventures	280,504	527,057

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

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
- Other operations (properties, treasury and corporate)

Segment revenues and results

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

	Segment revenue		Segment profit/(loss) before tax	
	18 months 31 December 2013 US\$	12 months 30 June 2012 US\$	18 months 31 December 2013 US\$	12 months 30 June 2012 US\$
Contracting	39,974,312	26,896,765	820,610	531,228
Manufacturing	22,340,137	16,121,825	452,215	(98,627)
Other	-	-	(821,233)	1,214,333
Total	62,314,449	43,018,590	451,592	1,646,934

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.

Notes to the Financial Statements (Cntd.)

For the period ended 31 December 2013

35. Segment information (continued)

Segment assets and liabilities

	31 December 2013 US\$	30 June 2012 US\$
Segment assets		
Contracting	14,721,743	17,903,011
Manufacturing	9,513,061	9,675,648
Other	13,215,565	10,691,912
Consolidated total assets	37,450,369	38,270,251
Segment liabilities		
Contracting	12,697,668	15,005,893
Manufacturing	2,882,418	3,036,674
Other	1,276,105	958,149
Consolidated total liabilities	16,856,191	19,000,716

Other segment information

	Depreciation		Capital Expenditure	
	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Contracting	1,707,544	947,672	768,747	3,041,512
Manufacturing	994,118	665,107	552,641	1,010,273
Other	266,458	130,982	23,448	220,588
	2,968,120	1,743,761	1,344,836	4,272,373

36. Events after reporting period

The Directors are not aware of any material events after reporting date that may significantly impact on the information contained in this report.

37. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2014.

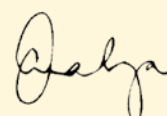
Company Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 US\$	30 June 2012 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	586,114	26,289
Total current assets		588,711	26,289
Total assets		17,614,246	17,051,824
Equity and liabilities			
Capital and reserves			
Share capital	3	2,204,937	2,147,746
Share premium		260,063	82,733
Non-distributable reserves		14,876,427	14,876,427
Share based payment reserve		223,653	179,631
Retained earnings/(loss)		37,736	(527,501)
		17,602,816	16,759,036
Current liabilities			
Group payables - Masimba Industries (Private) Limited		-	292,788
Other payables		11,430	-
		11,430	292,788
Total equity and liabilities		17,614,246	17,051,824



G. Sebborn
Chairman
27 March 2014



C. Malunga
Chief Executive Officer
27 March 2014

Company Income Statement

For the eighteen months ended 31 December 2013

	18 months to 31 December 2013 US\$	12 months 30 June 2012 US\$
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Dividend received - Masimba Industries (Private) Limited	1,019,127	-
Distribution costs	-	-
Administration costs:		
- Advertising	-	(8,531)
- Annual general meeting and board meetings	(19,456)	(3,299)
- General	(62,467)	(92,212)
- Financial statements publication cost	(46,054)	(29,463)
- Share based payment expense	(44,022)	(147,555)
- Travel and other expenses	(21,086)	(21,887)
- Zimbabwe Stock Exchange subscription	(3,000)	(10,000)
Profit/(loss) before tax	823,042	(312,947)
Income tax	-	-
Profit/(loss) for the period	823,042	(312,947)
Profit/(loss) for the period	823,042	(312,947)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	823,042	(312,947)

Company Statement of Cash Flows

For the eighteen months ended 31 December 2013

	18 months to 31 December 2013 US\$	12 months to 30 June 2012 US\$
Cash flows from operating activities		
Profit/(loss) for the period before interest and tax	823,042	(312,947)
Adjustments for:		
Dividend received	(1,019,127)	-
Expense recognised in respect of equity-settled share based payments	44,022	147,555
Other non-cash items	2,598	-
Net cash from operations before working capital changes	(149,465)	(165,392)
Increase other receivables	(2,598)	-
Increase in Group receivables	(559,824)	(5,667)
(Decrease)/increase in Group payables	(292,788)	171,559
Increase/(decrease) in other payables	11,430	(500)
Cash utilised in operations	(993,245)	-
Net interest paid	-	-
Dividend received	1,019,127	-
Income taxes paid	-	-
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 period	-	-
Cash and cash equivalents at the end of the period	-	-

Company Statement of Changes in Equity

For the eighteen months ended 31 December 2013

	Share capital US\$	Share premium US\$	Share based payment reserve US\$	Non-distributable reserve US\$	Accumulated profits US\$	Total US\$
Balance at 30 June 2011	2,142,746	41,430	78,379	14,876,427	(214,554)	16,924,428
Shares based payments	5,000	41,303	101,252	-	-	147,555
Loss for the period		-	-	-	(312,947)	(312,947)
Balance 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

Notes to the Company Statement of Financial Position

1. Accounting policies

The accounting policies are set out on pages 30 – 47.

2. Investment in subsidiaries

31 December 2013 US\$	30 June 2012 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:-

	31 December 2013 Percentage Held %	30 June 2012
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 Investment (Private) Limited - dormant	100	100
Huldwash Investments (Private) Limited - dormant	100	100
Wareput Investments (Private) Limited - dormant	100	100

3. Share Capital

Authorised and issued share capital

Authorised

875 000 00 ordinary shares of US\$0.01 each

31 December 2013 US\$	30 June 2012 US\$
8,750,000	8,750,000
2,204,937	2,147,746
586,114	(266,499)

Issued

220,493,722 (2012:214,774,610)
ordinary shares of US\$ 0.01 each

4. Subsidiary Company balances

Due from/(to) Masimba Industries (Private) Limited

Shareholders' Analysis

As at 31 December 2013

Range	Number of shareholders	% of Holders	Holdings	% of Issued Shares
1-500	117	13	22,589	0
501-1000	101	12	69,471	0
1,001-5000	292	33	781,184	0
5,001-10,000	123	14	898,208	0
10,001-50 000	132	15	2,812,714	2
50,001 & over	112	13	215,909,566	98
	877	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	29,140,641	13.22
3	Stanbic Nominees (Private) Limited	15,659,784	7.10
4	Fed Nominees (Private) Limited	12,822,765	5.82
5	Standard Chartered Nominees (Private) Limited	5,516,529	2.50
6	Moray Investments Holdings Limited	4,000,000	1.81
7	Turner, Roy	3,062,888	1.39
8	Equivest Nominees (Private) Limited	2,924,110	1.32
9	National Social Security Authority	2,540,728	1.15
10	Stanbic Nominees (Private) Limited	2,086,938	0.95
		180,467,655	81.84

Analysis by Category

	2013	2012
	%	%
Bank , insurance companies and nominees	17.79	27.18
Pension Funds, Trust/property companies	7.83	7.12
Resident individuals and other corporate companies	62.53	53.34
External companies	11.85	12.36
	100.00	100.00

Notice to Shareholders

Notice is hereby given that the Thirty Ninth Annual General Meeting of Members of Masimba Holdings Limited for the period ended 31 December 2013 will be held at the Registered Office of the Company at 44 Tilbury Road, Willowvale, Harare, Zimbabwe, on 26 June 2014, at 12:00 hours.

1. ORDINARY BUSINESS

1.1 Approval of Financial Statements and Reports

To receive, consider and adopt the Annual Financial Statements for the period ended 31 December 2013, including the Directors' and Independent Auditors' reports thereon.

1.2 Approval of Directors' Fees

Approval of Directors' fees for the period ended 31 December 2013.

1.3 Election of Directors

In accordance with Article 114 of the Company's Articles of Association Messrs Canada Malunga and William Malcolm McCulloch retire by rotation at the Company's Annual General Meeting and being eligible, offer themselves for re-election.

Messrs Michael Tapera and Paddy Tongai Zhanda (Jnr) have been appointed as directors of the Company and in terms of Article 115 of the Articles Association they retire at forthcoming Annual General Meeting. Being eligible they offer themselves for re-election.

1.4 Appointment of Directors

To appoint Messrs Michael Tapera and Paddy Tongai Zhanda (Jnr) to the Board.

1.5 Auditors

1.5.1 To approve the auditors' remuneration for the previous year.

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

1.6 Any Other Business

To transact such other business as may be transacted at an Annual General Meeting.

By Order of the Board

MASIMBA CORPORATE SERVICES (PRIVATE) LIMITED
(SECRETARIES)
27 May 2014

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 a poll vote in his stead. A proxy need not 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 the holding of the meeting.

Shareholders' Diary

May 2014	Thirty Ninth Annual Report to be published and mailed to shareholders
26 June 2014	Thirty Ninth Annual General Meeting of Shareholders, 44 Tilbury Road, Willowvale, Harare
September 2014	Interim press results, Analyst briefing.
December 2014	Financial year end
March 2015	Preliminary Announcement to Shareholders, Analyst briefing
May 2015	Fortieth Annual Report to be published and mailed to shareholders
June 2015	Fortieth Annual General Meeting of Shareholders, 44 Tilbury Road, Willowvale, Harare

CORPORATE AND ADVISORY INFORMATION

Company Registration Number:	278/74
Business Address and Registered Office:	44 Tilbury Road, Willowvale, Harare, Zimbabwe
Postal, Electronic Addresses and Telecommunications Numbers:	P.O Box CY490, Causeway, Harare, Zimbabwe
Telephone:	+263-4-611641-5 or 611741-7
Fax:	+263-4-612986
Email:	info@masimbgroup.com
Website:	www.masimbgroup.com
Share Transfer Secretaries:	First Transfer Secretaries 1 Armaragh 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 P O Box 8, Harare, 7th Floor, Beverley Court 100 Nelson Mandela Avenue, Harare, Zimbabwe

Proxy Form

For the Thirty Ninth Annual General Meeting of the Company to be held at the Registered Office of the Company at 44 Tilbury Road, Willowvale, Harare on Thursday, 26 June 2014 at 12h00.

I/We of

Being the registered holder/s of

Ordinary Shares in Masimba Holdings Limited do hereby appoint:-

1.....or failing him/her

2..... or failing him/her

the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held at 44 Tilbury Road, Willowvale, Harare and at any adjournment thereof.

	IN FAVOUR OF	AGAINST	ABSTAIN
1. Ordinary resolution number 1 Adoption of 2013 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 Appointment of Directors			
5. Ordinary resolution number 5 Appointment of external Auditors and approval of their remuneration			

Signed this day of 2014

Signature of member

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

