



# 2016

## ANNUAL REPORT

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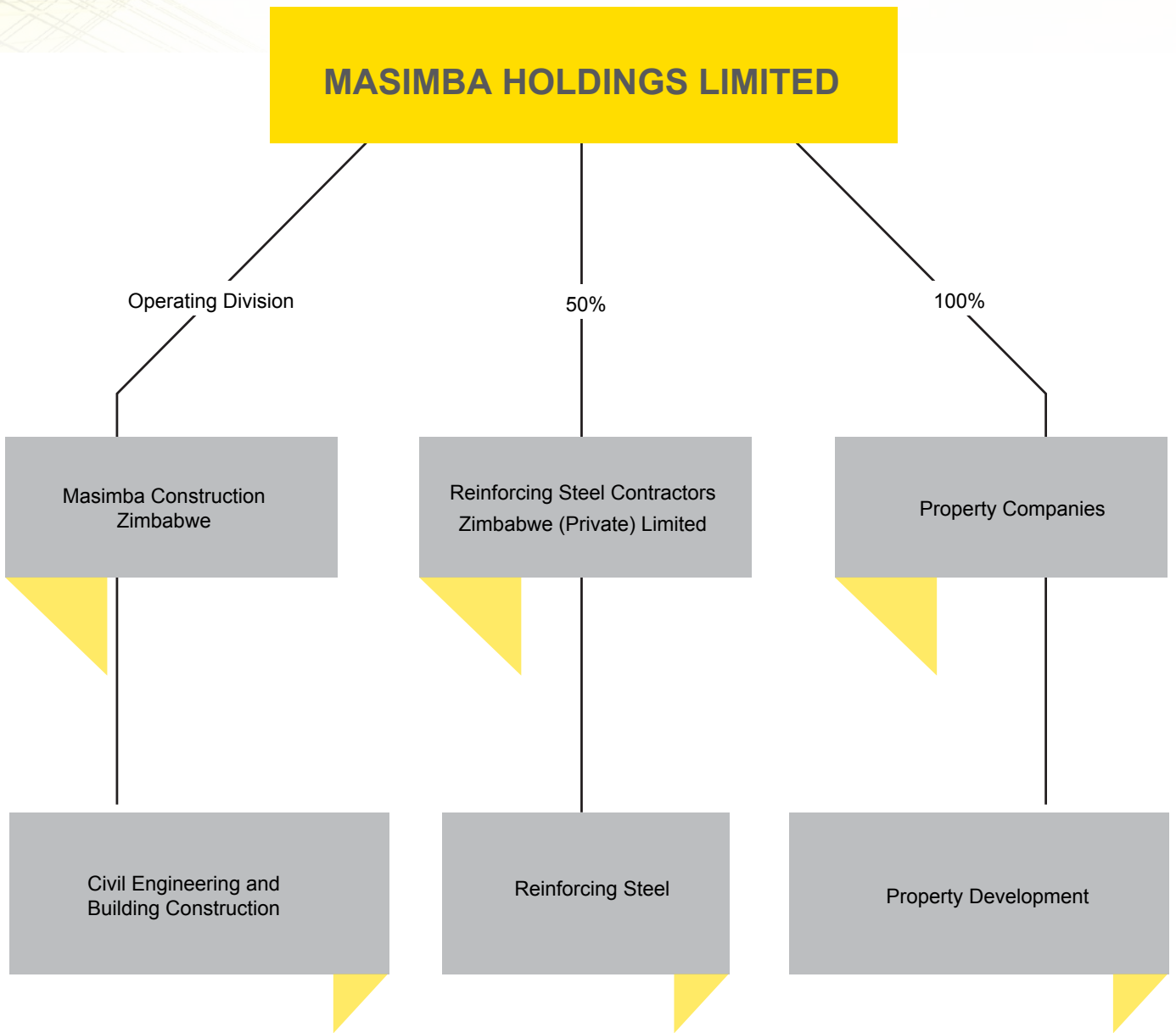
## Company Profile and Nature of Business

Masimba Holdings Limited is a well established Zimbabwean contracting and industrial group, providing innovative engineering and infrastructure client solutions to the agriculture, commercial, communications, housing, mining, water and public sectors within the Southern African region. It has been listed on the Zimbabwe Stock Exchange since 1974.

More information is available at [www.masimbagroup.com](http://www.masimbagroup.com)



# Company Structure



# Group Financial Highlights

	2016 US\$	Restated 2015 US\$
<b>Group summary</b>		
Revenue	19,139,918	10,039,549
Profit/(loss) before interest and tax	626,725	(1,229,085)
Profit/(loss) attributable to shareholders	507,055	(158,114)
<b>Total assets (US\$)</b>	<b>24,442,417</b>	<b>21,043,953</b>
Cash generated by operations	591,511	1,969,797
<b>Ordinary share performance (US cents)</b>		
Basic earnings/(loss) per ordinary share	0.23	(0.07)
Headline earnings/(loss) per ordinary share	0.21	(0.08)
Diluted earnings/(loss) per share	0.23	(0.07)
Cash equivalent earnings per share	0.74	0.59
Market price per share	1.70	0.81
<b>Financial statistics</b>		
Profit/(loss) before interest tax on revenue (%)	3.64%	(12.89%)
Return on average capital employed (%)	4.21%	(2.23%)



# Chairman's Statement



“ *The Board remains optimistic of the future* ”

**G. Seborn**

## INTRODUCTION

It is my pleasure to present my report for the financial year ended 31 December 2016. This financial period is significant as it is after the unbundling of the manufacturing business from the Group. It also marks the return to profitability of the residual construction business operations after having incurred losses after tax for the last three consecutive financial periods.

The deferred tax balance reported in the audited financial statements for the year ended 31 December 2015 was overstated by US\$942,558 and the comparative financial statements have accordingly been restated in line with International Financial Reporting Standards (IFRS) requirements. Further details on the error are explained in note 34 to the consolidated financial statements.

## OPERATING ENVIRONMENT

The business environment continued in a downward trajectory characterised by shortages in foreign currency, subdued domestic demand and tightening liquidity conditions. As reported in my previous statement, the Government of Zimbabwe's continued adoption of a contracted fiscal policy has led to very little capital being available for infrastructure development and maintenance.

The shortage of foreign currency in the market emanating from a weak trade account negatively impacted the Group's plant modernisation, material procurement and order book growth strategies. Despite these challenges, the Board remains optimistic of the future and will continue to pursue its value and growth strategies.

## FINANCIAL PERFORMANCE

### Masimba Construction Zimbabwe

The business recorded a turnover of US\$19,139,918 (2015: US\$10,039,549), gross profit of US\$3,311,897 (2015: US\$1,845,656) and earnings before interest tax and depreciation of US\$1,713,168 (2015: US\$245,467) for the year ended 31 December 2016. The revenue growth was mainly driven by construction activities in the mining, manufacturing and non-governmental organisation sectors which collectively accounted for 56% of turnover. Projects executed during the year were, on average, of low values and short term durations and to that end we have been able to successfully remodel our business to ensure profitability is attained in this key and growing market. Public sector funded projects remained limited in the period due to the constrained fiscal position.

## Chairman's Statement (continued)

While the operating overheads at US\$3,047,099 (2015: US\$2,924,929) were above prior year by 4%, overheads to revenue ratio, a key measure of operating efficiencies, declined to 16% (2015: 29%) largely due to improved resource optimisation and revenue growth. Cost containment remains an area of strategic focus aimed at achieving the short to medium term target overhead to revenue ratio of 14%.

Net financing costs declined to US\$46,681 (2015: US\$78,131) due to the concerted efforts to reduce the loan book.

The company recorded a profit after tax for the year of US\$507,055 (2015: loss after tax US\$158,114) and this improved profitability performance is attributable to the said revenue growth, cost containment and resource optimisation.

The financial position of the business strengthened to US\$24,442,417 (2015: US\$21,043,953) due to the positive profitability and capital expenditure incurred in the reporting period.

Capital expenditure (Capex) incurred in the financial year, in order to position the business to take advantage of current and the anticipated future opportunities, amounted to US\$1,972,227 (2015: US\$210,896). This Capex was funded from internal resources of US\$1,710,928 and bank borrowings of US\$261,299. The company's borrowing levels at US\$705,834 (2015: US\$444,535), at an average annual cost of 8%, remain modest and well below the borrowing limit as stipulated in the company's Memorandum and Articles of Association.

Contracts in progress, contracts receivables and other receivables at US\$10,125,492 (2015: US\$7,053,226) grew by 44% compared to a 92% growth in revenue volumes, demonstrating the robustness of our credit systems given the liquidity risks prevailing in the market. The increase in trade and subcontractors payables of 31% was driven by the growth in trading volumes and significant advance payments received from clients towards the end of the reporting period. In line with the business strategy of managing risk and value creation, advance payments received on contracts were applied to the prepurchase of materials and services to support the construction projects. Resultantly, cash and cash equivalent balances were flat at the end of the year at US\$780,267 (2015: US\$737,173).

### Masimba Property Portfolio

The investment property portfolio was revalued by independent valuers as at 31 December 2016 and these valuations were largely maintained at 2015 levels. The rental yield on investment properties for the year increased to 6% (2015: 3%) on the back of improved collection and tenant mix. The yield is still below the company's return on investment

(ROI) benchmark. The company will therefore continue pursuing various strategies aimed at realigning and growing the property portfolio.

### Reinforcing Steel Contractors Zimbabwe (RSCZ)

RSCZ, a 50:50 joint venture with Kosto Holdings Limited of Mauritius, contributed a profit of US\$22,687 (2015: US\$12,715) in the year under review. The growth in profitability of this business was affected by the shortages of foreign currency as its major source of raw materials is imported. Growth strategies will be pursued in the new year to unlock the company's potential prospects.

### BRANDING AND MARKETING

The company commissioned an independent specialist research firm to conduct a market engagement survey covering employees, customers and suppliers. The results of the market engagement survey demonstrated that employees, customers and suppliers were engaged with the Masimba brand. The feedback from the engagement survey has been incorporated into the company's medium term strategy. Given the order book growth recorded in the year, the company was able to attract exceptional talent which is further strengthening the Masimba brand in the market.

### OCCUPATIONAL HEALTH & SAFETY ASSESSMENT SYSTEMS (OHSAS)

Our strict Zero Harm strategy resulted in the reduction of the lost time injury frequency rate (LTIFR) to 1.04 compared to 3.29 for the previous year. The positive performance was due to the implementation of enhanced monitoring systems and various training and awareness campaigns that are embedded in our operation procedures.

### PROSPECTS

The operating and economic environment, in the short to medium term, remains difficult and uncertain. The company will continue to evaluate and take appropriate mitigation measures on the many prevailing business and operations risks in order to deliver value to our key stakeholders.

The country's state of infrastructure presents potential opportunities for the business. Indeed there are positive indications that some of the long waited infrastructure projects may take off in 2017 - 2018 period. Masimba is well positioned to exploit any opportunities arising out of the rollout of these projects.

The company's Civil Engineering and Buildings infrastructure order book is firm and is widely distributed over the key growth markets comprising Mining, Agriculture, Housing and Commercial & Industrial buildings. The projects' tenures range from three to eighteen months and the company has adequate capacity and resources to execute these projects.

## Chairman's Statement (continued)

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Masimba's strategic focus for the foreseeable future will be Value & Growth, Innovation and Risk.

### **DIVIDEND DECLARATION**

The Board declared a special cash dividend of US0.27 cents per share and this was paid to ordinary shareholders of the company in July 2016. In view of the profit for the year ended 31 December 2016 and considering Cashflows of the business, the Board is proposing a final dividend of US0.14 cents per share. This will be payable in cash or as script at a ratio of 1 share for every 16 ordinary shares held. This, together with the special dividend paid during the year, will bring the total dividend to US0.41 cents per ordinary share.

### **DIRECTORATE**

There were no changes to the Board composition in the current financial period.

### **APPRECIATION**

On behalf of the Board I extend my appreciation to our valued customers, suppliers and other key stakeholders for their continued support, as well as to the executives and staff for their dedication. I also wish to thank my colleagues on the Board for their continued unwavering support in these difficult and challenging times.



**G. Sebborn**  
27 March 2017



# STRATEGIC FOUNDATIONS

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## **Our Vision**

Building An African Legacy.

## **Why Do We Exist?**

To Create Value All The Time.

## **Our Aspirations**

Top of Clients' Minds. Place of Great Ideas.  
Pioneering.

## **What Makes Us Different and Guides Our Long Term Strategy?**

Rich Heritage. Trusted Brand. High Performance.  
Game Changing Capability.

## **Scope of the Game**

Contracting. Steel. Property Development.

## **Our Brand Expression**

Excellence Delivered.

## **Our Strategic Focus Area**

Value & Growth. Innovation. Risk.

## **Our Behaviours**

Learning. Caring. Performance Driven.  
Professionalism. Excellence. Team Masimba.

## **Our Values**

Zero Harm. Integrity. Relationships. Delivery.  
Communication.

# Building Visions





## Directorate



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

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



**Canada Malunga** - Chief Executive Officer

Canada has held this position since March 2013, prior to which he served the company as a Non-Executive Director. He is a past Chief Executive Officer of Murray & Roberts (Zimbabwe) Limited and served in this role from 2004 to 2010. He is also a past President of the Institute of Chartered Accountants of Zimbabwe and currently, he is a Non-Executive Director of FBC Holdings Limited.



**Agnes Makamure** - Finance Director

Agnes is currently the Finance Director, a position she has held since August 2015. She is a Chartered Accountant (Zimbabwe) and has over five years experience in the contracting sector.



**Mark Mario Di Nicola** - Non-Executive Director

Mark has over 25 years experience with companies listed on the Johannesburg Stock Exchange and is a former Chief Executive Officer of Beige Holdings Limited. He is a Director of several companies in Mauritius and the SADC region including Kosto Holdings Limited and the Reinforcing Steel Contractors Group.



**Malcolm William McCulloch** - Non-Executive Director

Malcolm is a Chartered Accountant and a past Group Chief Executive Officer of Murray & Roberts Limited in South Africa. He is a Director of several companies in Mauritius and the SADC region including Kosto Holdings Limited, Wilderness Holdings and the Reinforcing Steel Contractors Group.



**Paddy Tongai Zhanda** - Non-Executive Director

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

# Corporate Governance

## THE BOARD OF DIRECTORS

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

### Composition and Appointment

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

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

### Accountability and Delegated Functions

The Board meets formally at least once every quarter to review the entity's performance. There is an agenda of matters presented for its consideration and review, and where appropriate for decision, so that it maintains full and effective control over strategic, financial, operational and compliance issues. The record of attendance by each Director at the Board Meetings, held during the period under review, is reflected in the table on page 15 of this report. There are procedures which allow Directors to avail themselves for 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 with clearly defined roles, responsibilities and reporting lines.

The business performance of the Company is reported regularly to Management, the Executive Committee and the Board. Performance trends 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 area

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

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

### Changes to the Board

There were no changes to the Board in the current year.

### Directors' Names

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

- Mr Gregory Sebborn
- Mr Canada Malunga
- Mrs Agnes Makamure
- Mr Malcolm William McCulloch
- Mr Mark Mario Di Nicola
- Mr Paddy Tongai Zhanda

## 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 and submit reports to the main Board on the Committee's deliberation and findings.

### The Remuneration Committee

The Committee is chaired by a Non-Executive Director, Mr Malcolm William McCulloch. Its mandate is to set the remuneration of Executive Directors and to consider 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.



## Corporate Governance (continued)

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### **Audit and Risk Committee**

Mr Paddy Tongai Zhanda, 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, proper accounting records are maintained and that the financial information used in the business and for publication is reliable. They attach great importance to maintaining a strong and controlled environment. However, any system of internal financial control can provide only reasonable, not absolute, assurance against material misstatement or loss.

### **Code of Conduct**

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

### **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 appoint Grant Thornton as Auditors of the Company for the ensuing year.



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**Paddy Tongai Zhanda**  
**Chairman - Audit and Risk Committee**

**27 March 2017**

# Record of Attendance

## Directors' Meetings for the 2016 Financial Year

Board Member↓	Position	Board	AGM	Audit	REMCO*
No. of Meetings→		4	1	4	4
Mr Gregory Sebborn	Non-Executive Director and Chairman	4/4	1/1	3/4	4/4
Mr Canada Malunga	Chief Executive Officer	4/4	1/1	4/4	4/4
Mrs Agnes Makamure	Finance Director	4/4	1/1	4/4	n/a
Mr Mark Mario Di Nicola	Non-Executive Director	4/4	0/1	n/a	n/a
Mr Malcolm William McCulloch	Non-Executive Director	4/4	0/1	n/a	4/4
Mr Paddy Tongai Zhanda	Non-Executive Director	4/4	1/1	4/4	n/a

REMCO\* refers to Remuneration Committee

AGM\*\* refers to Annual General Meeting

## Five Year Review (continuing operations only)

	2016 US\$	Restated 2015 US\$	2014 US\$	2013 US\$	2012 US\$
<b>Summarised income statements ('000)</b>					
<b>Revenue</b>	<b>19,140</b>	<b>10,040</b>	<b>14,849</b>	<b>62,314</b>	<b>43,019</b>
EBIDTA** and fair value adjustments	1,713	245	245	4,298	3,567
Depreciation	(1,086)	(1,127)	(1,156)	(2,968)	(1,744)
Fair value adjustments on investment property	-	(348)	(25)	(357)	-
Profit before interest and tax	627	(1,229)	(936)	973	1,823
Share of joint venture profits	23	13	-	-	-
Net interest (paid)/received	47	(78)	(344)	(521)	(176)
Profit/(loss) before tax	696	(1,295)	(1,281)	452	1,647
Taxation	(189)	933	272	(512)	(347)
Profit/(loss) after tax from continuing operations	507	(362)	(1,008)	(60)	1,300
<b>Discontinued operations</b>					
Profit from discontinued operations	-	203	456	-	-
Profit/(loss) attributable to ordinary shareholders	507	(158)	(552)	(60)	1,300

	2016 US\$	Restated 2015 US\$	2014 US\$	2013* US\$	2012 US\$
<b>Summarised statements of financial position</b>					
Non-current assets	12,518	11,169	16,551	17,370	18,974
Bank balances and cash	780	737	1,729	2,476	1,987
Other current assets	11,144	9,138	15,690	17,604	17,310
<b>Total assets</b>	<b>24,442</b>	<b>21,044</b>	<b>33,969</b>	<b>37,450</b>	<b>38,271</b>
Ordinary shareholders' funds	12,312	11,791	20,112	20,594	19,270
Liabilities	12,131	9,253	13,857	16,856	19,001
<b>Total equity and liabilities</b>	<b>24,442</b>	<b>21,044</b>	<b>33,969</b>	<b>37,450</b>	<b>38,271</b>

\*Financial period is eighteen (18) months

\*\*EBITDA: Earnings before interest, taxation, depreciation, impairment and amortisation

# Ratios and Statistics

	2016 US\$	Restated 2015 US\$
<b>Earnings (US cents)</b>		
Basic earnings/(loss) per ordinary share	0.23	(0.07)
Headline earnings/(loss) per ordinary share	0.21	(0.08)
Diluted earnings/(loss) per ordinary share	0.23	(0.07)
Cash equivalent earnings per ordinary share (cents)	0.74	0.59
Dividends per ordinary shares	0.0041	-
Dividend cover (times)	0.56	-
<b>Profitability</b>		
PBIT on turnover (%)	3.27%	(12.24%)
PBIT on average capital employed excluding cash (%)*	5.55%	(8.43%)
PAT on average ordinary shareholders' funds (%)*	4.21%	(2.23%)
<b>Productivity</b>		
Overhead to revenue ratio (%)	16%	29%
Payroll cost on turnover (US cents)	8.33	16.95
Total average assets (excluding bank balances and cash) (US\$)	1.15	2.62
<b>Finance</b>		
As a percentage of permanent capital:		
Total liabilities	98.53%	76.59%
Current assets to current liabilities	1.13	1.24
<b>Share performance</b>		
Ordinary shares in issue (US\$m)	2,205	2,205
Share price at year end (US cents)	1.7	0.81
Market capitalisation (US\$m)	3.75	2.20
<b>Other</b>		
Number of employees as at year end	575	407

## Definitions

Average	Arithmetic average between consecutive year ends
Capital employed	Permanent capital, long term loans and deferred tax
Cash equivalent earnings	Profit After Tax (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 of ordinary shares in issue
PAT	Profit after tax attributable to ordinary shareholders
PBIT	Profit before interest and taxation
PBT	Profit 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 this statistic.



# Directors' Report

The Directors have pleasure in presenting their Annual Report and the Audited Financial Statements of the Group for the year ended 31 December 2016. In the report "Group" refers to Masimba Holdings Limited and its subsidiary companies.

Period's Results	US\$
Profit attributable to shareholders	507,055
<b>Retained Earnings</b>	
Transfers from reserves	318,310
<b>Dividends</b>	
Special	(595,333)
Final	-
<b>Net transfer against reserves</b>	<b>230,032</b>

## Capital Expenditure

Capital expenditure for the period to 31 December 2016 amounted to US\$1,972,227. The budgeted capital expenditure for the period to 31 December 2016 was US\$664,474. The additional capex was incurred on specific projects.

## Share Capital

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

During the period no ordinary shares were issued. The issued share capital of the Group remained at US\$2,204,937 as at December 2016 (2015: US\$2,204,937) and comprised 220,493,732 (2015: 220,493,732) ordinary shares of the nominal amount of US\$0,01 each.

## Auditors

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

## Reserves

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

## Directorate

The following are the Directors of the Group that held office in the period under review:-

- Mr Gregory Sebborn, Independent non-Executive Chairman
- Mr Canada Malunga, Chief Executive Officer
- Mr Malcolm William McCulloch, Non-Executive Director
- Mrs Agnes Makamure, Finance Director
- Mr Mark Mario Di Nicola, Non-Executive Director
- Mr Paddy Tongai Zhanda, Non-Executive Director

Messrs. Gregory Sebborn and Paddy Tongai Zhanda 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 during the past year. Your Board recommends that an amount of US\$62,500 (2015: US\$60,000) be paid, to be divided amongst themselves at their discretion.

## The Masimba Holdings Limited Senior Executive Share Option Scheme 2003

The Scheme was approved by Shareholders in October 2003, the purpose of which is to promote the retention of senior Executives responsible for the management of the Group. The details of the movement in the outstanding option during the year to 31 December 2016 are shown on note 11 of the consolidated 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, Grant Thornton, have audited the financial statements and their report appears on page 18.

## Directors' Report (continued)

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.

The Group's financial statements which are set out on pages 22 to 59 were, in accordance with their responsibilities, approved by the Board of Directors on 27 March 2017 and are signed on its behalf by:

### By Order of the Board



**G. Sebborn**  
Director

27 March 2017



**C. Malunga**  
Director

27 March 2017

These consolidated financial statements were prepared under the supervision of:



**Agnes Makamure CA (Z)**  
Registered Public Accountant (PAAB No: 03528)  
Finance Director



## INDEPENDENT AUDITOR'S REPORT

To the members of Masimba Holdings Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the consolidated financial statements of Masimba Holdings Limited set out on pages 22 to 59, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Masimba Holdings Limited as at 31 December 2016, its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Audit transition and audit of opening balances.</b></p> <ul style="list-style-type: none"> <li>Initial audit engagements involve a number of considerations not associated with recurring audits.</li> <li>We identified the audit transition, including the audit of opening balances and the consistent application of significant accounting policies as a key audit matter.</li> <li>This involves additional planning activities and considerations necessary to establish an appropriate audit plan and strategy.</li> </ul>	<ul style="list-style-type: none"> <li>In order to comply with our professional standards to obtain sufficient and appropriate audit evidence about the opening balances and comparative numbers, we performed audit procedures on the material opening balances. Where necessary, we requested management to effect adjustments.</li> <li>Obtained an understanding of Masimba Holdings Limited's control environment and information systems, sufficient to make an audit assessment and develop the audit strategy and plan.</li> <li>We also attended as observers in meetings of the audit committee as part of obtaining an understanding of the Group.</li> <li>In the course of the performance of our procedures, we were provided with sufficient information to gain an understanding to provide a basis for our audit strategy and detailed audit plan.</li> <li>We found that the opening balances as at 1 January 2016 were supported by sufficient and appropriate audit evidence, including evidence with respect to appropriate selection and application of accounting principles.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition and valuation of construction projects.</p> <ul style="list-style-type: none"> <li>The Group is involved in complex construction projects for which it applies the percentage of completion method.</li> <li>The amount of revenue and profit recognised in a year on projects is dependent, among other things, on the actual costs incurred, the assessment of the percentage of completion for contracts and the forecast contract revenue and costs to complete for each project.</li> <li>The amount of revenue and profit is influenced by the valuation of variation orders and claims.</li> <li>This often involves a high degree of judgment due to the complexity of projects, uncertainty regarding costs to complete, and uncertainty about the outcome of discussions with clients on variation orders and claims.</li> <li>Revenue recognition and valuation of construction projects were identified as risk areas requiring special audit consideration.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Evaluation of the significant judgements made by management, amongst others based on an examination of the associated project documentation.</li> <li>Discussions with finance and technical staff of the Group on the status of projects under construction. In addition, we visited some projects under construction.</li> <li>Tests of controls that the Group has put in place over the process to record contract revenues, contract costs, and the calculation of the stage of completion.</li> <li>Discussed the status of legal proceedings in respect of construction contracts, examined various documents in this respect and obtained lawyers' letters.</li> <li>We satisfied ourselves that the Group's revenue recognition and valuation of construction projects is appropriate.</li> </ul>
<p><b>Income taxes and deferred tax</b> In the context of our audit of the Group's financial statements, income taxes and deferred tax were considered to be key audit matters because they entail significant management judgement as summarized below.</p> <p>Income taxes:</p> <ul style="list-style-type: none"> <li>The assessment process for income taxes is complex and the amounts involved are material to the consolidated financial statements, taken as a whole.</li> <li>In determining the amounts to be taxed, the Group makes judgements and estimates in relation to tax issues.</li> </ul> <p>Deferred tax:</p> <ul style="list-style-type: none"> <li>The Group has a significant deferred tax liability, mainly resulting from: <ul style="list-style-type: none"> <li>Property plant and equipment; and</li> <li>Contracts in progress (uncertified work and claims).</li> </ul> </li> <li>As disclosed in note 13, the Group has recognised a deferred tax liability in these financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We involved our tax specialist to evaluate the recognition and measurement of tax liabilities.</li> <li>We tested the completeness and accuracy of the amounts reported for current tax through review of correspondence with tax authorities and tax returns submitted during the year.</li> <li>In this area, our audit procedures included, among others, using our own tax specialists to assist us in assessing the appropriateness of the level of deferred tax liability balance recognised in the balance sheet.</li> <li>Based on our procedures performed we consider management's key assumptions to be within a reasonable range.</li> <li>We also assessed the adequacy of the tax disclosures in the financial statements.</li> </ul>
<p><b>Allowance for credit losses</b></p> <ul style="list-style-type: none"> <li>The Group has contracts receivables in respect of certified work (Refer to note 8 to the consolidated financial statements).</li> <li>The current economic environment is characterized by liquidity challenges, and as such allowances for credit losses is an area requiring management to make significant judgement on whether billed amounts on construction contracts represent consideration receivable. This was therefore considered a key audit matter.</li> </ul>	<ul style="list-style-type: none"> <li>We evaluated the assessment made by management of the allowance for credit losses to test adequacy.</li> <li>To ascertain the adequacy of the allowance for credit losses, we performed an independent assessment of the allowance for credit losses and compared our results to the management estimate.</li> <li>The assessment was made on a debtor by debtor basis.</li> <li>We found that management applied sensible judgements in assessing the adequacy of the allowance for credit losses.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT

## Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Chairman's Statement, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In our opinion, the consolidated financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

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



Farai Chibisa

**Partner**

Registered Public Auditor (PAAB No: 0547)

**Grant Thornton**

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

28 March 2017

# Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	2016 US\$	Restated 2015 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	6,731,970	6,004,892
Investment property	5	4,467,500	4,485,500
Investments	6	1,318,567	678,982
<b>Total non-current assets</b>		<b>12,518,037</b>	<b>11,169,374</b>
<b>Current assets</b>			
Cash and cash equivalents	7	780,267	737,173
Investments	6	-	1,620,000
Contracts in progress and contract receivables	8	6,545,933	5,095,397
Trade and other receivables	9	3,579,559	1,957,829
Inventories	10	954,819	400,472
Current tax assets		63,802	63,708
<b>Total current assets</b>		<b>11,924,380</b>	<b>9,874,579</b>
<b>Total assets</b>		<b>24,442,417</b>	<b>21,043,953</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued share capital	11	2,204,937	2,204,937
Share premium		260,063	260,063
Reserves		8,396,930	8,106,081
Retained earnings		1,449,613	1,219,581
<b>Total equity</b>		<b>12,311,543</b>	<b>11,790,662</b>
<b>Non-current liabilities</b>			
Borrowings	12	315,567	222,268
Deferred tax	13	1,250,731	1,063,765
<b>Total non-current liabilities</b>		<b>1,566,298</b>	<b>1,286,033</b>
<b>Current liabilities</b>			
Borrowings	12	390,267	222,267
Trade and other payables	14	8,125,280	4,955,445
Subcontractors	15	2,049,029	2,789,546
<b>Total current liabilities</b>		<b>10,564,576</b>	<b>7,967,258</b>
<b>Total equity and liabilities</b>		<b>24,442,417</b>	<b>21,043,953</b>



**G. Sebborn**  
Chairman  
27 March 2017



**C. Malunga**  
Chief Executive Officer  
27 March 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2016

Continuing operations	Notes	2016 US\$	Restated 2015 US\$
Revenue	16	19,139,918	10,039,549
Cost of sales		(15,828,021)	(8,193,893)
<b>Gross profit</b>		<b>3,311,897</b>	<b>1,845,656</b>
Fair value adjustment		-	(347,807)
Other operating income	17	361,927	197,995
Administration expenses	18	(3,047,099)	(2,924,929)
<b>Profit/(loss) before interest and taxation</b>		<b>626,725</b>	<b>(1,229,085)</b>
Share of profit from joint venture		22,687	12,715
Interest received		86,302	4,438
Finance costs		(39,621)	(82,569)
<b>Profit/(loss) before tax</b>	19	<b>696,093</b>	<b>(1,294,501)</b>
Taxation	20	(189,038)	932,984
<b>Profit/(loss) for the year from continuing operations</b>		<b>507,055</b>	<b>(361,517)</b>
<b>Discontinued operations</b>			
<b>Profit for the year from discontinued operations</b>	33	-	<b>203,403</b>
<b>Profit/(loss) for the year</b>		<b>507,055</b>	<b>(158,114)</b>
Other comprehensive income, net of income tax			
Gain on revaluation of property, plant and equipment		-	63,313
Movement in available for sale investments		616,898	453,665
Deferred tax credit relating to other comprehensive income		(6,169)	3,340
Other comprehensive income for the year, net of tax		610,729	520,318
<b>Total comprehensive income for the year</b>		<b>1,117,784</b>	<b>362,204</b>
Profit/(loss) per share			
Number of shares		220,493,732	220,493,732
Basic profit/(loss) per share (cents per share)	21	0.23	(0.07)
Diluted profit/(loss) per ordinary share (cents per share)	21	0.23	(0.07)

# Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	Issued Capital US\$	Share Premium US\$	Distributable Reserves US\$	Non Distributable Reserves US\$	Foreign			Investment Fair Value Reserve US\$	Retained Earnings US\$	Total US\$
					Currency Translation Reserve US\$	Share Based Payment Reserve US\$	Revaluation Reserve US\$			
<b>Balance as at 31 December 2014</b>	<b>2,204,937</b>	<b>260,063</b>	<b>12,000,000</b>	<b>2,862,591</b>	<b>1,438,438</b>	<b>(34,241)</b>	<b>2,570</b>	<b>-</b>	<b>1,377,695</b>	<b>20,112,053</b>
Loss for the year	-	-	-	-	-	-	-	-	(1,100,672)	(1,100,672)
Other comprehensive income for the year	-	-	-	-	71,193	-	-	449,125	-	520,318
Share based payments	-	-	-	-	-	-	3,200	-	-	3,200
Dividend paid	-	-	-	-	-	-	-	-	(8,686,795)	(8,686,795)
Transfer on unbundling	-	-	(8,211,310)	-	(475,485)	-	-	-	8,686,795	-
<b>Balance as at 31 December 2015</b>	<b>2,204,937</b>	<b>260,063</b>	<b>3,788,690</b>	<b>2,862,591</b>	<b>1,034,146</b>	<b>(34,241)</b>	<b>5,770</b>	<b>449,125</b>	<b>277,023</b>	<b>10,848,104</b>
Prior period adjustment (note 34)	-	-	-	-	-	-	-	-	942,558	942,558
<b>Restated Balance as at 31 December 2015</b>	<b>2,204,937</b>	<b>260,063</b>	<b>3,788,690</b>	<b>2,862,591</b>	<b>1,034,146</b>	<b>(34,241)</b>	<b>5,770</b>	<b>449,125</b>	<b>1,219,581</b>	<b>11,790,662</b>
Profit for the year	-	-	-	-	-	-	-	-	507,055	507,055
Other comprehensive income for the year	-	-	-	-	-	-	-	610,729	-	610,729
Share based payments	-	-	-	-	-	-	(1,570)	-	-	(1,570)
Dividend paid	-	-	-	-	-	-	-	-	(595,333)	(595,333)
Transfer of reserves	-	-	(318,310)	-	-	-	-	-	318,310	-
<b>Balance as at 31 December 2016</b>	<b>2,204,937</b>	<b>260,063</b>	<b>3,470,380</b>	<b>2,862,591</b>	<b>1,034,146</b>	<b>(34,241)</b>	<b>4,200</b>	<b>1,059,854</b>	<b>1,449,613</b>	<b>12,311,543</b>

The Directors resolved to distribute US\$595,333 as dividend. The dividends were paid on 27 July 2016.

Non-distributable reserves arose as a result of the change in functional currency from Zimbabwe Dollars to United States Dollars.



# Consolidated Statement of Cash Flows

## For The Year Ended 31 December 2016

	2016 US\$	Restated 2015 US\$
<b>Cash flows from operating activities</b>		
<b>Profit/(loss) for the year before interest and tax</b>	<b>626,725</b>	<b>(1,229,085)</b>
Adjustments for:		
Depreciation of non-current assets	1,086,443	1,126,745
Fair value adjustment of investment property	-	347,807
Available for sale investment	-	(2,656)
Expense recognised in respect of equity-settled share based payments	(1,570)	3,200
Profit on disposal of property, plant and equipment	(48,317)	(11,256)
Profit on disposal of investment property	(2,000)	-
Dividends received	(42,221)	-
Discount allowed on investments	131,400	-
	<b>1,750,460</b>	<b>234,755</b>
(Decrease)/increase in contracts in progress and contract receivables	(1,450,536)	1,288,547
(Decrease)/increase in trade and other receivables	(1,621,730)	1,930,161
(Decrease)/increase in inventories	(554,347)	4,964,635
Increase/(decrease) in trade and other payables and sub-contractors	2,429,318	(2,121,869)
Cash flow effects of discontinued operation	-	(4,662,768)
	<b>553,165</b>	<b>1,633,461</b>
<b>Cash generated from operations</b>		
Net interest received/(paid)	46,681	(78,131)
Income taxes paid	(8,335)	(38,500)
Net cash generated by operating activities - continuing operations	<b>591,511</b>	<b>1,516,830</b>
Net cash generated by operating activities - discontinued operations	-	<b>452,967</b>
	<b>591,511</b>	<b>1,969,797</b>
<b>Net cash generated from operating activities</b>		
<b>Cash flow from investing activities</b>		
Payments for property, plant and equipment:		
- To maintain operations	(1,972,227)	(210,896)
- To expand operations	-	-
Proceeds from disposal of property, plant and equipment	207,023	75,310
Purchase of Treasury Bills	-	(1,620,000)
Proceeds from disposal of investment property	20,000	-
Dividends received	42,221	-
Disposal of financial assets	1,488,600	-
	<b>(214,383)</b>	<b>(1,755,586)</b>
<b>Net cash invested - continuing operations</b>		
<b>Net cash invested - discontinued operations</b>	-	<b>(67,378)</b>
	<b>(214,383)</b>	<b>(1,822,964)</b>
<b>Net cash invested</b>		
<b>Cash flow from financing activities</b>		
Increase/(decrease) in borrowings	261,299	(1,138,799)
Dividend paid	(595,333)	-
	<b>(334,034)</b>	<b>(1,138,799)</b>
<b>Net cash flow utilised in financing activities - continuing operations</b>		
<b>Net cash flow utilised in financing activities - discontinued operations</b>	-	-
	<b>(334,034)</b>	<b>(1,138,799)</b>
<b>Net cash utilised in financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>43,094</b>	<b>(991,966)</b>
Cash and cash equivalents at the beginning of the year	737,173	1,729,139
<b>Cash and cash equivalents at the end of the year</b>	<b>780,267</b>	<b>737,173</b>

# Accounting Policies

## For The Year Ended 31 December 2016

### 1. General Information

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

#### 1.1 Nature of Business

The principal activities of the Group are civil engineering, building contracting and property development. The operations operate under the trade name Masimba Construction Zimbabwe.

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

#### 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 IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. The amended standards, described below, did not have a material impact on the financial position or performance of the Group:-

- **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Revaluation method – proportionate restatement of accumulated depreciation (amortisation)** - The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
- **Amendment to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearers Plants** - The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

- **Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations.** The amendment provides guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations.
- **Amendments to IAS 27 Equity Method in Separate Financial Statements:** The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:
  - at cost;
  - in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
  - using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The same accounting method must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:** The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

#### **IAS 28 has been amended to reflect the following:**

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investors' financial statements.

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

#### 2. Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

##### IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.
- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception:** The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

In addition, amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries and clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

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

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

- **IFRS 9 Financial Instruments.** The IFRS was issued in November 2009 as part of the first phase to replace IAS 39 Financial Instrument: Recognition and Measurement. It addresses the classification and measurement of financial assets, effective for periods beginning on or after 1 January 2018.
- **IFRS 15 Revenue from Contracts with Customers.** Issued in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Effective for periods beginning on or after 1 January 2018.
- **IFRS 16 'Leases'** - IFRS 16 will replace IAS 17 and the related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information.

#### 3. Summary of significant accounting policies

##### 3.1 Statement of compliance

These consolidated financial statements have been prepared in conformity with IFRS, 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 IFRS, the International Financial Reporting Interpretations Committee (IFRIC) and the Zimbabwe Companies Act (Chapter 24:03) and related statutory instruments. With the exceptions noted as in policy 2.2 above, "Application of new and revised IFRSs", the accounting policies set out below have



## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 3.2 Basis of preparation (continued)

been consistently applied from the previous year and throughout the current year.

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

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's 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 and future periods, then the revision affects both current and future periods.

Judgements made by management in the application of IFRS 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 31.

#### 3.3 Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:-

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

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

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

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

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

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 3.4 Business combinations

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

are generally recognised in profit or loss as incurred. At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at the fair value except that:-

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

#### 3.5 Interests in joint ventures

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

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

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



## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 3.5 Interests in joint ventures (continued)

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

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

#### 3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

##### 3.6.1 Long-term and construction contracts

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

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

When contract costs incurred to date plus recognised profit less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profit less recognised losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is

performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under contracts in progress and contract receivables.

##### 3.6.2 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 income 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.

##### 3.6.3 Rental income

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

#### 3.7 Property, plant and equipment

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

##### 3.7.1 Measurement

Property, plant and equipment are initially 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

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 3.7.1 Measurement (continued)

in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve of that asset.

#### 3.7.2 Subsequent costs

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

#### 3.7.3 Components

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

#### 3.7.4 Depreciation

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

The following average useful lives are used in the calculation of depreciation on a straightline basis:-

Buildings	40 years
Plant and equipment	4-10 years
Motor vehicles	5 years
Other assets	3-10 years
Land is not depreciated	

#### 3.7.5 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 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 recognised for all

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 3.9.2 Deferred taxation (continued)

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.

#### 3.9.3 Value added tax

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

#### 3.10 Contracts in progress and contract receivables

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

##### 3.10.1 Advance payments received

Advance payments received are assessed on initial recognition to determine whether it is probable that they will be repaid as another financial asset or in cash. 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 finished goods and manufactured components. They are valued at the lower of cost or net realisable value generally determined on a moving average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### 3.12 Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollars (US\$), 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



## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 3.12 Foreign currency translation (continued)

statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise except for:-

- exchange differences which relate to assets under construction for future productive use,
- exchange differences which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

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

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

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

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

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 3.13.1 Financial assets

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

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

#### Financial assets at FVTPL

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

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

#### Held-to-maturity investments

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

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

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as:-

- (a) loans and receivables,
- (b) held-to-maturity investments or
- (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, 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.



## Accounting Policies (continued)

### For The Year Ended 31 December 2016

#### 3. Summary of significant accounting policies (continued)

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

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) are measured at amortised cost using the effective interest method, less any impairment.

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

##### Impairment of financial assets

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

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

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

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation; 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.

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

#### 3. Summary of significant accounting policies (continued)

##### Impairment of financial assets (continued)

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

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

##### Derecognition of financial assets

The Group derecognises 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 derecognition 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 derecognition 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.

#### 3.13.2 Financial liabilities and equity instruments

##### Classification as debt or equity

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

##### Equity instruments

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

Repurchase of the Group'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 Group's own equity instruments.

##### Compound instruments

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

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

#### 3. Summary of significant accounting policies (continued)

##### Compound instruments (continued)

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

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

##### Other financial liabilities

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

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



## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 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.

#### Derecognition of financial liabilities

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

#### 3.14 Leasing

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

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

#### 3.15 Share based payments

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

are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

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

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

The fair value determined at the grant date of the equity settled share based payments is expensed on a straightline basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve (Share Based Payment Reserve).

#### 3.16 Investment properties

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

An investment property is derecognised 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 derecognition 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 derecognised.



## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 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 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 is borne by the employee.

## Accounting Policies (continued)

### For The Year Ended 31 December 2016

### 3. Summary of significant accounting policies (continued)

#### 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 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 Dividend *in specie*

The Group measures a liability to distribute non-cash assets as dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable being recognised in equity as adjustments to the amount of the distribution. When Group settles the dividend payable, it recognises the difference, if any between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

## 4 Property, plant and equipment

COST/VALUATION	Freehold Land & Buildings US\$	Plant & Machinery US\$	Motor Vehicles US\$	Furniture & Office Equipment US\$	Total US\$
<b>Balance as at 31 December 2014</b>	<b>5,075,000</b>	<b>12,048,101</b>	<b>1,921,425</b>	<b>517,359</b>	<b>19,561,885</b>
Additions		142,303	58,113	10,480	210,896
Additions Proplastics		66,908		3,730	70,638
Revaluation	(20,000)	-	-	-	(20,000)
Disposals	(45,000)	(1,048)	(32,792)	-	(78,840)
Disposal Proplastics	-	(2,214)	-	-	(2,214)
Disposal Unbundling	(1,420,000)	(5,761,391)	(514,226)	(269,466)	(7,965,083)
<b>Balance as at 31 December 2015</b>	<b>3,590,000</b>	<b>6,492,659</b>	<b>1,432,520</b>	<b>262,103</b>	<b>11,777,282</b>
Additions		1,666,594	259,060	46,573	1,972,227
Disposals	-	-	(480,760)	(817)	(481,577)
<b>Balance as at 31 December 2016</b>	<b>3,590,000</b>	<b>8,159,253</b>	<b>1,210,820</b>	<b>307,859</b>	<b>13,267,932</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>Balance as at 31 December 2014</b>	-	<b>6,075,100</b>	<b>1,294,604</b>	<b>399,488</b>	<b>7,769,192</b>
Depreciation expense	84,063	769,343	226,616	46,723	1,126,745
Depreciation expense Proplastics	14,792	295,179	29,160	11,682	350,813
Eliminated on disposal	(750)	(784)	(13,254)	-	(14,788)
Elimination on disposal Proplastics	-	(885)	-	-	(885)
Eliminated on disposal Unbundling	(14,792)	(2,783,717)	(354,596)	(222,269)	(3,375,374)
Eliminated on revaluation	(83,313)	-	-	-	(83,313)
<b>Balance as at 31 December 2015</b>	-	<b>4,354,236</b>	<b>1,182,530</b>	<b>235,624</b>	<b>5,772,390</b>
Depreciation expense	82,937	815,671	168,736	19,099	1,086,443
Eliminated on disposal	-	-	(322,055)	(816)	(322,871)
<b>Balance as at 31 December 2016</b>	<b>82,937</b>	<b>5,169,907</b>	<b>1,029,211</b>	<b>253,907</b>	<b>6,535,962</b>
<b>CARRYING AMOUNT</b>					
<b>Balance as at 31 December 2014</b>	<b>5,075,000</b>	<b>5,973,001</b>	<b>626,821</b>	<b>117,871</b>	<b>11,792,693</b>
<b>Balance as at 31 December 2015</b>	<b>3,590,000</b>	<b>2,138,423</b>	<b>249,990</b>	<b>26,479</b>	<b>6,004,892</b>
<b>Balance as at 31 December 2016</b>	<b>3,507,063</b>	<b>2,989,346</b>	<b>181,609</b>	<b>53,952</b>	<b>6,731,970</b>

### 4.1 Revaluation

In 2016 the Directors engaged an independent valuer, Integrated Properties (Private) Limited, and revalued all freehold land and buildings of the Group. The effective date of the revaluation was 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 5 Investment property

	2016 US\$	Restated 2015 US\$
<b>At fair value</b>		
Balance at beginning of year	4,485,500	4,757,307
Loss on property revaluation	-	(347,807)
Additions	-	76,000
Disposals	(18,000)	-
<b>Balance at end of year</b>	<b>4,467,500</b>	<b>4,485,500</b>

The fair value of investment property has been arrived at on the basis of a valuation carried out at 31 December 2016 by independent professional valuers, Integrated Properties (Private) Limited. In arriving at the market value, the implicit investment approach based on the capitalisation of income was applied. This method is based on the principle that rentals, capital and income generated by owner occupied assets are interrelated. The effective date of revaluation was 31 December 2016.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 5. Investment property (continued)

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

2016				
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total carrying amount US\$
Freehold land & buildings	-	3,590,000	-	3,590,000
Investment property	-	4,467,500	-	4,467,500

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

The property rental income earned by the entity from its investments property, all of which is leased out under operating leases, amounted to US\$255,370 (2015: US\$173,166). Direct operating expenses arising on the investment property amounted to US\$268,440 (2015: US\$198,348).

#### 5.1 Encumbrances on property, plant and equipment and investment property

Freehold land and buildings with a carrying amount of approximately US\$3 million have been pledged to secure borrowings of the Group as well as investment property of approximately US\$3.46 million. This was done by way of a deed of hypothecation for US\$6.46 million in favour of its bankers over stand number 2118 Gwelo Township, stand number 44 Willowvale Township of Lot 8 of 6 of Willowvale, stand number 4496, 4 Douglas Road and stand number 20A Ardbennie Industrial Township. Moveable property is encumbered as shown in note 12.

### 6. Investments

	2016 US\$	Restated 2015 US\$
<b>Long term investments</b>		
Financial assets carried at fair value	1,183,165	566,267
Investment in joint venture	135,402	112,715
	<b>1,318,567</b>	<b>678,982</b>

Financial assets that are disclosed under long term investments are stated at fair value with the changes in fair value being recognised in other comprehensive income.

	2016 US\$	Restated 2015 US\$
<b>Movement in the book amount for the year</b>		
Balance at the beginning of year	566,267	504
Additions during the period	-	112,098
Fair value adjustment	616,898	453,665
<b>Balance at the end of year</b>	<b>1,183,165</b>	<b>566,267</b>

The investment in a joint venture relates to the company's 50% shareholding in Reinforcing Steel Contractors Zimbabwe (Private) Limited (RSCZ). This company is jointly owned by Kosto Holdings of Mauritius and Masimba Holdings Limited.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 6. Investments (continued)

The joint venture is accounted for using the equity method.

	2016 US\$	Restated 2015 US\$
<b>Movement in the book amount for the year</b>		
Balance at the beginning of year	112,715	-
Additions during the period	-	100,000
Share of profit from joint venture	22,687	12,715
<b>Balance at the end of year</b>	<b>135,402</b>	<b>112,715</b>
Short term investments		
Financial assets held to maturity	-	1,620,000
	-	<b>1,620,000</b>

Financial assets held to maturity are stated at fair value with the change being recognised in the profit and loss statement. Short term investments were Government Treasury Bills issued at 5% interest per annum and these matured on 8 October 2016.

Masimba Holdings Limited, directly and indirectly, has investments in the following subsidiaries with a total carrying amount as at 31 December 2016 of US\$6,590,740 (2015: US\$6,590,740).

Company	Status	2016	2015
		Percentage Held %	
Axwort Investments (Private) Limited	Dormant	100	100
Caridorn Abrasives (Private) Limited	Dormant	100	100
Chimene Investments (Private) Limited	Dormant	100	100
Huldwash Investments (Private) Limited	Dormant	100	100
Masimba Corporate Services (Private) Limited	Dormant	100	100
Masimba Estates Zimbabwe Limited	Dormant	100	100
Masimba Industries (Private) Limited	Dormant	100	100
Masimba Properties Zimbabwe Limited	Trading	100	100
Mobile Steel Construction (Private) Limited	Dormant	100	100
Prespeen Investments (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
Wareput Investments (Private) Limited	Dormant	100	100
Westminster (Proprietary) Limited	Dormant	100	100

### 7. Cash and cash equivalents

	2016 US\$	Restated 2015 US\$
Bank and cash balances	<b>780,267</b>	<b>737,173</b>

Cash and cash equivalents are recognised at fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances held with our bankers.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

<b>8. Contracts in progress and contract receivables</b>	<b>2016 US\$</b>	<b>Restated 2015 US\$</b>
Contracts receivables in respect of certified work	1,980,677	1,482,491
Contracts receivables in retentions	790,008	792,088
Contracts work in progress	3,775,248	2,820,818
	<b>6,545,933</b>	<b>5,095,397</b>
<b>9. Trade and other receivables</b>		
Trade	702,670	869,003
Other	2,876,889	1,088,826
	<b>3,579,559</b>	<b>1,957,829</b>
Gross trade receivables	890,030	1,060,170
Less: allowance for credit losses	(187,360)	(191,167)
	<b>702,670</b>	<b>869,003</b>
Prepayments	2,237,256	950,157
Other receivables	639,633	138,669
	<b>3,579,559</b>	<b>1,957,829</b>

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

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

### Ageing of past due but not impaired trade receivables

	<b>2016 US\$</b>	<b>Restated 2015 US\$</b>
61-90 days	34,052	39,868
91 days +	668,618	695,802
	<b>702,670</b>	<b>735,670</b>
	<b>2016 Days</b>	<b>2015 Days</b>
Debtor days	68	53

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 9. Trade and other receivables (continued)

#### Movement in the allowance for credit losses

	2016 US\$	Restated 2015 US\$
Balance at the beginning of the year	191,167	786,847
Net movement in provision for the year	(3,807)	(595,680)
<b>Balance at the end of the year</b>	<b>187,360</b>	<b>191,167</b>

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.

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

Ageing of impaired trade receivables

	2016 US\$	Restated 2015 US\$
180+ days	187,360	191,167
<b>10. Inventories</b>		
Finished goods	954,819	400,472
Provision for slow moving stock	-	-
	<b>954,819</b>	<b>400,472</b>

The cost of write down of inventories recognised as an expense during the period was US\$ NIL (2015: NIL).

### 11. Share capital

	2016 US\$	Restated 2015 US\$
Authorised and issued share capital		
<i>Authorised</i>		
875,000,000 ordinary shares of US\$0.01 each	8,750,000	8,750,000
<i>Issued</i>		
220,493,732 (2015: 220,493,732) ordinary shares of US\$0,01 each	2,204,937	2,204,937

#### Unissued share capital

This is share capital which Directors may allot, grant options over or deal with at their discretion (in terms of the Articles of Association) subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange, without further restrictions.

	2016 US\$	Restated 2015 US\$
Unissued share capital	6,545,063	6,545,063



# NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2016

## 11. Share capital (continued)

### Shares under options

The Directors are empowered to grant share options to senior Executives of the Group up to a maximum of 20,000,000 (2015: 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 2016 were as follows:-

	2016 Shares	2015 Shares
Balance at the beginning of year	5,050,000	6,300,000
Granted during the year	-	-
Forfeited during the year	(1,550,000)	(1,250,000)
Exercised during the year	-	-
<b>Balance at end of year</b>	<b>3,500,000</b>	<b>5,050,000</b>

A valuation was carried out by the Directors as at 31 December 2016. The estimated fair values of options granted were determined using Black Scholes model in accordance with IFRS 2 with the following inputs and assumptions:-

	2016	2015
Grant date share price (US\$)	0.121	0.121
Exercise price (US\$)	0.121	0.121
Expected volatility	48.85%	48.85%
Dividend yield	24.12%	0.00%
Risk-free interest rate	8.00%	8.00%

### Valuation Inputs

#### *Exercise price*

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

#### **Expected Volatility**

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

Volatility was calculated as the standard deviation of log-normal daily returns for the period starting 16 July 2013 to 15 July 2015.

#### *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. The risk free rate return is based on 8% Fixed Rate Infrastructure Development Bonds issued by the Infrastructure Development Bank of Zimbabwe in 2015.

All options will expire if they are not exercised five (5) years after the grant date.

### **Non-distributable reserves**

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

12. Borrowings	2016 US\$	Restated 2015 US\$
Secured borrowings at amortised costs		
Bank borrowings	705,834	444,535
Current	390,267	222,267
Non-current	315,567	222,268
	<b>705,834</b>	<b>444,535</b>
<p>The short term loans have a tenure of three (3) months and long term loans have a tenure of two (2) years. The loans accrue interest at an effective rate of 7% (2015: 7%) 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.</p>		
13. Deferred tax	2016 US\$	Restated 2015 US\$
Balance at the beginning of year	1,063,765	2,406,933
Charge to income statement	180,797	(17,551)
Charge to other comprehensive income	6,169	(3,340)
Transfers on unbundling	-	(379,719)
Prior period error (note 34)	-	(942,588)
<b>Balance at the end of year</b>	<b>1,250,731</b>	<b>1,063,765</b>
<b>Comprising of:</b>		
Accelerated wear and tear	983,001	1,113,299
Uncertified work and claims	894,004	1,299,352
Retention	167,624	284,355
Prepayments	48,444	59,169
Revenue received in advance	(105,773)	(50,580)
Fair value adjustments	10,706	4,537
Allowances for credit losses	(48,245)	(49,225)
Revaluation of property, plant and equipment	-	(3,340)
Maintenance provision	(70,809)	(34,995)
Assessed loss and other	(628,221)	(616,249)
Prior period error (note 34)	-	(942,588)
	<b>1,250,731</b>	<b>1,063,765</b>
14. Trade and other payables		
Trade	760,486	411,100
Accruals	96,615	163,910
Provisions	1,390,942	2,233,882
Unearned revenue (advance receipts from customers)	4,107,674	1,802,333
Other	1,769,563	344,220
	<b>8,125,280</b>	<b>4,955,445</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2016

## 14. Trade and other payables (continued)

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

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

	2016 US\$	Restated 2015 US\$
<b>15. Subcontractors as at year end</b>	<b>2,049,029</b>	<b>2,789,546</b>
Contracts in progress and contract receivables include claims against clients in respect of subcontractors liabilities. These liabilities are only settled when payment has been received from clients.		
<b>16. Revenue</b>		
The following is an analysis of the entity's revenue for the period:-		
Construction contract revenue	<b>19,139,918</b>	<b>10,039,549</b>
<b>17. Other operating income</b>		
Rental income	255,370	173,166
Exchange loss	(23,115)	(15,848)
Scrap and service sales	5,875	26,765
Sundry income	31,259	2,656
Dividends received	42,221	-
Profit on disposal of property, plant and equipment	48,317	11,256
Profit on disposal of investment property	2,000	-
	<b>361,927</b>	<b>197,995</b>
<b>18. Administration expenses</b>		
Advertising and promotions	16,116	2,856
Audit fees	39,245	42,000
Bad debt	-	47,255
Bank charges	102,319	95,688
Communication	47,075	26,272
Computer printing and stationery	33,694	33,421
Corporate social investment	4,328	9,817
Depreciation	202,872	214,587
Directors' fees	62,500	60,000
Insurance	47,556	46,629
Licenses and levies	28,738	23,909
Others	574,676	344,238
Premises	78,720	52,079
Professional and subscriptions	26,208	93,792
Training and recruitment	18,998	7,919
Travel and accommodation	38,123	56,526
Utilities	131,966	66,713
Staff	1,593,965	1,701,228
	<b>3,047,099</b>	<b>2,924,929</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 31 December 2016

## 19. Profit/(loss) before taxation

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

	<b>2016 US\$</b>	<b>Restated 2015 US\$</b>
Depreciation	1,086,443	1,126,745
Share option (credit)/expense	(1,570)	3,200
Pension	67,965	277,577
Compensation to Directors and key management	621,449	1,040,586

## 20. Taxation

	<b>2016 US\$</b>	<b>Restated 2015 US\$</b>
Current income tax	(2,072)	(27,125)
Deferred tax movement	(186,966)	17,551
Prior period error (note 34)	-	942,558
<b>Taxation</b>	<b>(189,038)</b>	<b>932,984</b>
Reconciliation of current income taxation		
Profit/(loss) before tax	696,093	(1,294,501)
Tax at standard rate	(179,244)	333,334
Adjusted for:		
- Effects of expenses not deductible for tax	(13,380)	(45,625)
- Effects of other permanent differences	(12,149)	(279,893)
- Effects of income taxed at special rates	15,735	(17,390)
- Effect of prior year adjustment	-	942,558
<b>Effective tax (expense)/credit</b>	<b>(189,038)</b>	<b>932,984</b>

## 21. Earnings per share

### Basic earnings basis

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

### Diluted earnings basis

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

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



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 21. Earnings per share (continued)

	2016 US\$	Restated 2015 US\$
<b>Earnings</b>		
Profit/(loss) attributable to the equity holders of the Company	507,055	(158,114)
<b>Number of shares</b>		
<b>Weighted average number of shares in issue used in the determination of:</b>		
Basic	220,493,732	220,493,732
Diluted	223,479,384	223,479,384
<b>Profit/(loss) per share (US cents):</b>		
Basic	0.23	(0.07)
Diluted	0.23	(0.07)

### 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.

As at 31 December 2016, there were 51 (2015: 123) members in the scheme.

#### 22.2 Construction Industry Pension Fund

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

#### 22.3 National Social Security Authority

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

#### 22.4 Pension costs recognised as an expense for the year

	2016 US\$	Restated 2015 US\$
Masimba Holdings Limited Retirement Fund	55,386	167,611
National Social Security Authority	12,579	19,049
Other Funds	182,143	90,917
	<b>250,108</b>	<b>277,577</b>

### 23. Capital commitments

Capital expenditure authorised, but not contracted for, is US\$2,065,336 (2015: US\$664,474). The expenditure is to be financed from internal resources and existing facilities.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 24. Directors' interests

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

	31 December 2016 Shares	31 December 2015 Shares
C. Malunga	1,135,956	1,135,956
Zumbani Capital	102,713,272	102,713,272

Messrs. Canada Malunga, Malcolm William McCulloch, Mark Mario Di Nicola and Paddy Tongai Zhanda have an indirect shareholding in Zumbani Capital (Private) Limited.

### 25. 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.

### 26. Insurance cover

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

### 27. Contingent liabilities and contingent assets

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

**27.2** Bank guarantees in issue as at year end:-

	2016 US\$	Restated 2015 US\$
Performance bonds	5,377,353	337,903
Advance payment bonds	3,443,586	296,819
Retention bonds	1,042,991	-
	<b>9,863,930</b>	<b>634,722</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 28. Related party disclosures

#### 28.1 Related party transactions

Related party	Relationship	Nature of transactions	2016 US\$	Restated 2015 US\$
Reinforcing Steel Contractors Zimbabwe (Private) Limited	Joint Venture	Sale of goods	149,541	83,278
Executive Management	Key Management Personnel	Remuneration, loans and advances	691,292	1,134,529
Proplastics Limited	Common Directorship/ Shareholding	Sale of goods	834,659	231,970

#### 28.2 Year end balances arising from transactions with related parties

Included in other receivables and trade payables balances are related party balances that resulted from transactions that occurred between Masimba Holdings Limited and its related parties.

	2016 US\$	Restated 2015 US\$
<b>Related party receivables</b>		
Reinforcing Steel Contractors Zimbabwe (Private) Limited	7,834	-
Proplastics Limited	81,478	315,312
<b>Related party payables</b>		
Reinforcing Steel Contractors Zimbabwe (Private) Limited	78,117	41,405
Proplastics Limited	213,196	217,145

Balances and transactions between entities within the Group have been eliminated on consolidation and are not disclosed in this note.

#### 28.3 Transactions with key management personnel

Key management of the Group are the executive members of Masimba Holdings Limited's Board of Directors and Senior Management personnel. Key management personnel's remuneration include the following expenses:

The remuneration of Directors and other members of key management during the year were as follows:

	2016 US\$	Restated 2015 US\$
Short term benefits	621,449	1,040,586
Share based benefits	(1,570)	3,200
The following amounts are in respect of Directors' emoluments:-		
For services as Directors	62,500	60,000
For managerial services	621,449	980,586

The remuneration of Directors and key Executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 28.3 Transactions with key management personnel (continued)

	2016 US\$	Restated 2015 US\$
Loans and advances to Directors	8,913	90,743

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

### 29. 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

	2016 US\$	Restated 2015 US\$
<b>Financial Assets</b>		
Cash and cash equivalents	780,267	737,173
Loans, receivables and contract receivables	10,140,649	7,053,226
Short term investments	-	1,620,000
Financial assets carried at fair value	1,318,567	678,982
<b>Financial Liabilities</b>		
Borrowings and payables	10,880,143	8,189,526

#### (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 2016.

### 30. Financial risk management

The entity's financial liabilities comprise bank loans and overdrafts and trade and other payables. The main purpose of these financial instruments is to raise finance for the entity's operations. The entity has various financial assets such as trade receivables, cash and short term deposits which arise directly from its operations. The entity does not use derivative financial instruments in its management of foreign currency risk. Derivative financial instruments are not held or issued for trading purposes.

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



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 30.1 Foreign exchange risk management

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

The Group's net foreign asset/liability exposure as at year end, determined at the fair market rate of US\$1: ZAR15,4709, is summarised as:-

	Currency	Foreign Balance Outstanding	2016 US\$ Equivalent	Foreign Balance Outstanding	2015 US\$ Equivalent
Bank Balances	ZAR	30,081	1,944	6,556	423

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

#### Abbreviation of Currency

ZAR - South African Rand

#### 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 US\$ which were at 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.

### 30.2 Interest risk

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

### 30.3 Credit risk

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

### 30.4 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.

### 30.5 Capital risk management

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 31. 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.

Management is satisfied that at year 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 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 note 3.7).
- The determination of the fair value of share options. (Refer to note 11).

### 32. Joint operations

#### 32.1 Details of material joint operations

Name of joint operation	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest voting rights held by Masimba	
			31 Dec 2016	31 Dec 2015
			%	%
Masimba Construction Zimbabwe and Reliance (Private) Limited	JMN Airport	Zimbabwe	60	60
Masimba Construction Zimbabwe and Kuchi Construction (Private) Limited	NUST Library	Zimbabwe	50	50
Masimba Construction Zimbabwe and Tencraft (Private) Limited	Tuli River Bridge	Zimbabwe	50	50

The above joint operations are accounted for using the proportionate consolidation method in these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 32.1 Details of material joint operations (continued)

The summarised financial information in respect of the Group's joint operations are set out below.

	2016 US\$	Restated 2015 US\$
Non-current assets	-	1,352
Current assets	2,669,508	3,806,336
Current liabilities	(2,308,222)	(3,333,968)
The above amounts of assets and liabilities include the following:-		
Cash and cash equivalent	10,664	27,851
Short term investments	-	2,700,000
Revenue	1,220,563	288,981
Profit/(loss) for the year	826,391	(38,254)
Other comprehensive income	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>826,391</b>	<b>(38,254)</b>
The above (loss)/profit for the year includes the following items:-		
Depreciation and amortisation	-	340

### 33. Discontinued operations

On 29 May 2015 the Group disposed of its manufacturing division, Proplastics, through distribution of its net assets in the form of a *dividend-in-specie* to Masimba Holdings Limited shareholders. Proplastics Limited subsequently listed on the Zimbabwe Stock Exchange on 8 June 2015.

The manufacturing segment was not classified as held for distribution or as a discontinued operation in prior year. The comparative consolidated statement of profit or loss and other comprehensive income and statement of cash flows have been restated to show the discontinued operation separately from continuing operations.

#### Results of discontinued operations

	12 Months to Dec 2016 US\$	5 months to May 2015 US\$
Revenue	-	5,337,579
Expenses	-	(5,063,635)
Results from operating activities	-	273,944
Income tax	-	(70,541)
<b>Profit from discontinued operations</b>	<b>-</b>	<b>203,403</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

### 33. Discontinued operations (continued)

#### Cash flows from (used in) discontinued operations

	Dec 2016 US\$	May 2015 US\$
Net cash generated from operating activities	-	452,967
Net cash from investing activities	-	(67,378)
Net cash flow for the period	-	385,589

#### Effect of disposal on the financial position of the Group

	May 2015 US\$
Property plant and equipment	4,589,710
<b>Total non-current assets</b>	<b>4,589,710</b>
Bank and cash	539,458
Trade receivables and other receivables	2,647,425
Inventories	4,026,041
<b>Total current assets</b>	<b>7,212,924</b>
<b>Total assets</b>	<b>11,802,634</b>
Deferred tax liabilities	595,461
Trade and other payables	2,520,380
<b>Total liabilities</b>	<b>3,115,839</b>
<b>Net assets and liabilities</b>	<b>8,686,795</b>
<b>Dividend-in-specie</b>	<b>8,686,795</b>

### 34. Prior period error

The deferred tax balances as disclosed in the audited financial statements for the year ended 31 December 2015 were overstated by US\$942,558. In accordance with IFRS the comparative financial statements have been restated and the effects of the corrections are noted below:-

Previously reported shareholders' equity	10,848,104
Prior period error - deferred tax overprovision	942,558
<b>Restated shareholders equity as at 31 December 2015</b>	<b>11,790,662</b>
Loss for the year ended 31 December 2015 as previously reported	(1,100,672)
Prior period error - deferred tax overprovision	942,558
<b>Restated loss for the year ended 31 December 2015</b>	<b>(158,114)</b>



# NOTES TO THE FINANCIAL STATEMENTS (continued)

## For The Year Ended 31 December 2016

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### **35. 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.

### **36. Approval of financial statements**

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2017.

### **37 Declaration of dividends**

On the 27th of March 2017 the Directors declared a dividend of US\$308 691.22 (that is, US0.14 cents per ordinary share) for the year ended 31 December 2016 to be paid as either cash or scrip.

### **38 Events after the reporting date**

At the date of approval of the financial statements on 27 March 2017, there were no other material events after the reporting date that required separate disclosure in these financial statements except for the dividend declaration.

## Shareholders' Analysis

As at 31 December 2016

### Shareholder Spread

Range	Number of Shareholders	% of Holders	Holdings	% of Issued Shares
1 - 500	145	16.20	26,784	0
501 - 1,000	106	11.84	73,688	0
1,001 - 5,000	292	32.63	776,087	0.4
5,001 - 10,000	109	12.18	787,936	0.4
10,001 - 50,000	125	13.97	2,624,226	1.2
50,001 and over	118	13.18	216,205,011	98
	<b>895</b>	<b>100</b>	<b>220,493,732</b>	<b>100</b>

### 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	38,376,760	17.41
3	Stanbic Nominees (Private) Limited (NNR)	16,222,504	7.36
4	Stanbic Nominees (Private) Limited	10,050,318	6.37
5	LHG Malta Holdings Limited	7,181,976	3.26
6	Standard Chartered Nominees (Private) Limited	6,235,482	2.83
7	Standard Chartered Nominees (Private) Limited (NNR)	5,470,162	2.48
8	Turner Roy	3,062,888	1.39
9	National Social Security Authority	2,540,728	1.15
10	Communications and Allied Industry Pension Fund	1,737,234	0.79
		<b>197,591,324</b>	<b>89.62</b>

### Analysis by Category

	2016 %	2015 %
Bank, insurance companies and nominees	20.77	20.55
Pension funds, Trust/Property companies	11.38	13.13
Resident individuals and other corporate companies	54.00	55.53
Foreign companies	13.85	10.79
	<b>100</b>	<b>100</b>

# Notice to Shareholders

Notice is hereby given that the Forty-second Annual General Meeting of the Members of Masimba Holdings Limited for the year ended 31 December 2016 will be held at the Registered Office of the Company at 44 Tilbury Road, Willowvale, Harare, Zimbabwe, on Wednesday 31 May 2017 at 1500 hours.

## 1. ORDINARY BUSINESS

### 1.1 Approval of Financial Statements and Reports

To receive, consider and adopt the Annual Financial Statements for the year ended 31 December 2016, including the Directors' and Independent Auditor's reports thereon.

### 1.2 Approval of Directors' Fees

Approval of Directors' fees for the year ended 31 December 2016.

### 1.3 Election of Directors

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

### 1.4 Dividend

To confirm the declaration of a final dividend of US0.14 cents per share for the year ended 31 December 2016, following a special dividend of US0.27 cents per share paid in July 2016, giving a total dividend of US0.41 cents per share. The final dividend is to be paid as either cash or scrip, with the default option being cash.

### 1.5 Auditors

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

1.5.2 To consider the appointment of Messrs. Grant Thornton as auditors for the ensuing year.

## 2. SPECIAL BUSINESS

### 2.1 Share Buyback

To consider and if deemed fit, to pass with or without modification, the following ordinary resolution, "That the Company, as duly authorised by section 79 of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing requirements, that it may purchase its own ordinary shares in such manner or on such terms as the Directors may from time to time determine and provided that;

- i. the repurchases are not made at a price greater than five percent (5%) above nor five percent (5%) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange as determined over the five (5) business days immediately preceding the date of the repurchase.
- ii. the maximum number of shares authorised to be acquired shall not exceed ten percent (10%) of the Company's issued ordinary share capital.
- iii. this authority shall expire at the next Annual General Meeting, and shall not extend beyond fifteen (15) months from the date of this resolution."

## Notice to Shareholders (continued)

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### **Directors' Statement**

The Directors, in considering the effect of any such repurchase, will duly take into account the ability of the Company for a period of twelve (12) months, to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, the adequacy of ordinary capital and reserves as well as adequacy of working capital.

### **By Order of the Board**

**MASIMBA CORPORATE SERVICES (PRIVATE) LIMITED**  
(Secretaries)

**4 May 2017**

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

**Directors:** G Sebborn (Chairman), M M Di Nicola, C Malunga (CEO)  
A Makamure (Finance), M W McCulloch, P T Zhanda (Jnr.)

**Registered Office:** 44 Tilbury Road, Willowvale, Harare, Zimbabwe



## Shareholders' Diary

<b>9 May 2017</b>	Forty-second Annual Report to be published and mailed to Shareholders
<b>31 May 2017</b>	Forty-second Annual General Meeting of Shareholders, 44 Tilbury Road, Willowvale, Harare
<b>September 2017</b>	Interim Press Results, Analysts' Briefing
<b>December 2017</b>	Financial Year End
<b>March 2018</b>	Preliminary Announcement to Shareholders and Analysts' Briefing
<b>April 2018</b>	Forty-third Annual Report to be published and mailed to Shareholders
<b>May 2018</b>	Forty-third Annual General Meeting to Shareholders, 44 Tilbury Road, Willowvale, Harare

### CORPORATE AND ADVISORY INFORMATION

<b>Company Registration Number</b>	278/74
<b>Business Address and Registered Office</b>	44 Tilbury Road, Willowvale, Harare, Zimbabwe
<b>Postal Address</b>	P.O. Box CY490, Causeway, Harare, Zimbabwe
<b>Telephone</b>	+263 4 611641-5 or 611741-7
<b>Email</b>	<a href="mailto:enquiries@masimbagroup.com">enquiries@masimbagroup.com</a>
<b>Fax</b>	+263 4 612986
<b>Website</b>	<a href="http://www.masimbagroup.com">www.masimbagroup.com</a>
<b>Share Transfer Secretaries</b>	First Transfer Secretaries 1 Armagh Road, Eastlea Harare, Zimbabwe
<b>Telephone</b>	+263 4 782869-72
<b>Auditors</b>	Grant Thornton 135 Enterprise Road Highlands Harare, Zimbabwe
<b>Bankers</b>	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
<b>Lawyers</b>	Atherstone & Cook Legal Practitioners Praetor House 119 Josiah Chinamano Avenue Harare, Zimbabwe

# Proxy Form

For the Forty-second Annual General Meeting to be held at 44 Tilbury Road, Willowvale, Harare, Zimbabwe, on Wednesday 31 May 2017 at 1500 hours

I/We.....  
(Name in block letters)

of.....

being the holder of.....shares in the Company hereby appoint:

1.....of.....or failing him/her

2.....of.....or failing him/her

### 3. The Chairman of the AGM

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

Resolutions	For	Against	Abstain
1. Ordinary Resolution number 1 Adoption of the 2016 Annual Financial Statements and Directors' and External Auditor's Reports thereon			
2. Ordinary Resolution number 2 Approval of Directors' Remuneration			
3. Ordinary Resolution number 3 Election of Directors			
4. Ordinary Resolution number 4 Confirmation of Final Dividend			
5. Ordinary Resolution number 5 Approval of Audit Fees			
6. Ordinary Resolution number 6 Appointment of External Auditor			
7. Ordinary Resolution number 7 Approval of Share Buyback			

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

Signed at..... on .....2017

Signature(s).....

Assisted by.....

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

Notes to the form of proxy

# Instructions for Signing and Lodging This Form of Proxy

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

unless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than forty-eight (48) hours before the meeting.

5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's transfer secretaries or the registered office of the Company not less than forty eight (48) hours before the time appointed for the holding of the AGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are exactly the same as those on the Share Register.
10. Please be advised that the number of votes a member is entitled to will be determined by the number of shares recorded on the Share Register by 1600 hours on Tuesday 30 May 2017.

<b>OFFICE OF THE TRANSFER SECRETARIES</b>	<b>REGISTERED OFFICE OF THE COMPANY</b>
First Transfer Secretaries (Private) Limited 1 Armagh Road, Eastlea Harare Zimbabwe	44 Tilbury Road, Willowvale Harare Zimbabwe











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