2020
Integrated Annual Report

TURNALL HOLDINGS LIMITED

SCOPE OF THIS REPORT

We are pleased to present the integrated annual report for Turnall Holdings Limited, a Group listed on the Zimbabwe Stock Exchange (ZSE), for the year ended 31 December 2020.

This report is targeted at a broad range of our stakeholders with the aim of presenting a balanced review of material issues from our operations.

This is our ninth report prepared in accordance with the Global Reporting Initiatives (GRI) Sustainability Reporting Framework and it meets the GRI-G3.1 Application Level C reporting requirements.

Our sustainability reporting is integrated with our consolidated financial statements. Our consolidated financial statements were audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISA). Their report on the consolidated financial statements appears on pages 35 to 37.

Forward Looking Statements
Certain statements in this report constitute 'forward looking statements'. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, objectives or achievements of Turnall Holdings Limited to be materially different from future results, performance, objectives or achievements expressed or implied in forward looking statements. The performance of Turnall Holdings Limited is subject to changes in the operating environment and other factors. Turnall Holdings Limited undertakes no obligation to update publicly or to release any revision of these forward looking statements to reflect the events or circumstances after the date of publication of this integrated annual report or to reflect the occurrence of unanticipated events.

We would welcome your feedback on our reporting and any suggestions you have in terms of what you would have liked to see incorporated in our integrated annual report for the year ended 31 December 2020. To do so, please contact us on tfcinvestor@turnall.co.zw.

B. Nyajeka
Chairman
9 April 2021

Z. Bikwa
Managing Director
9 April 2021

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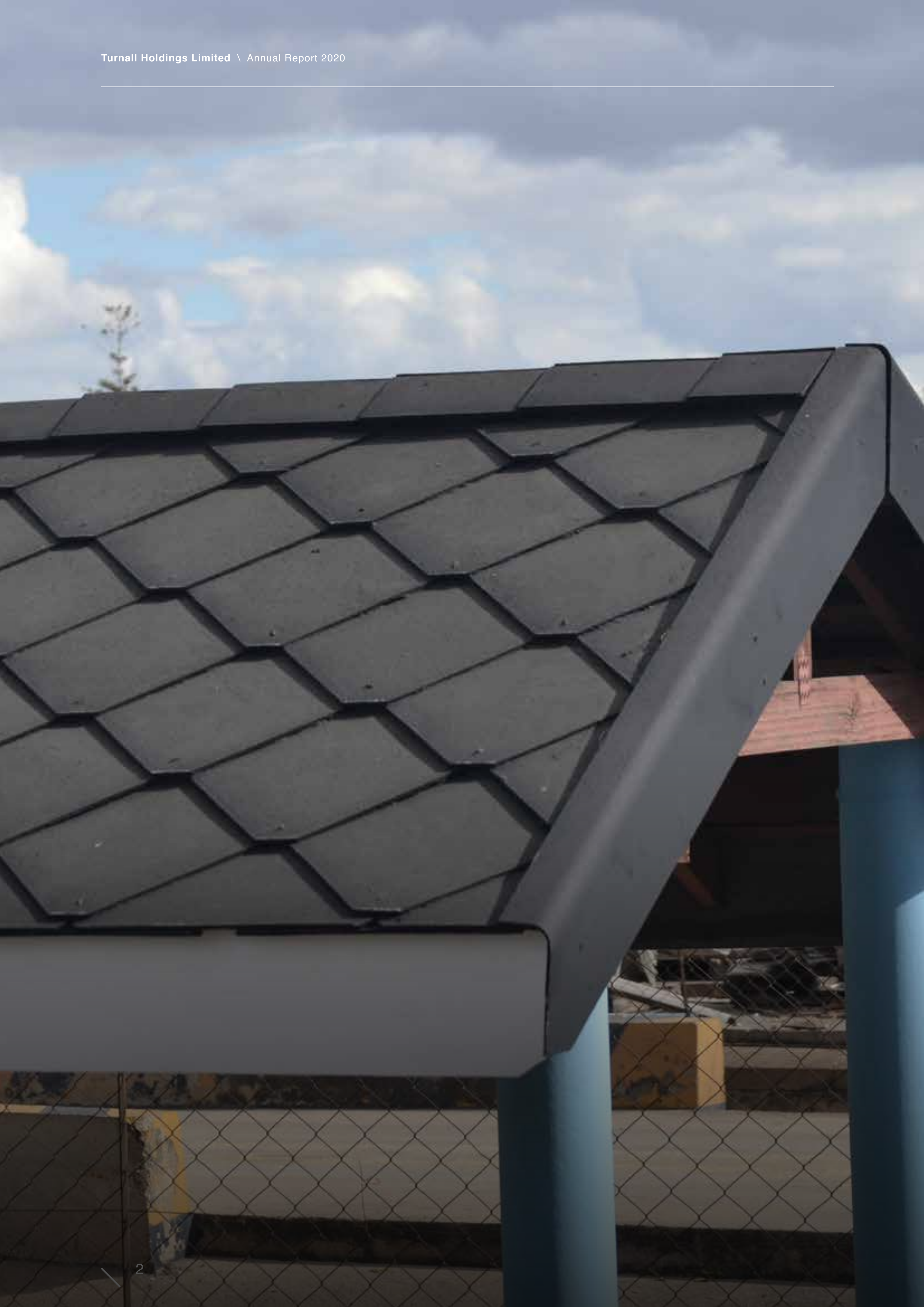

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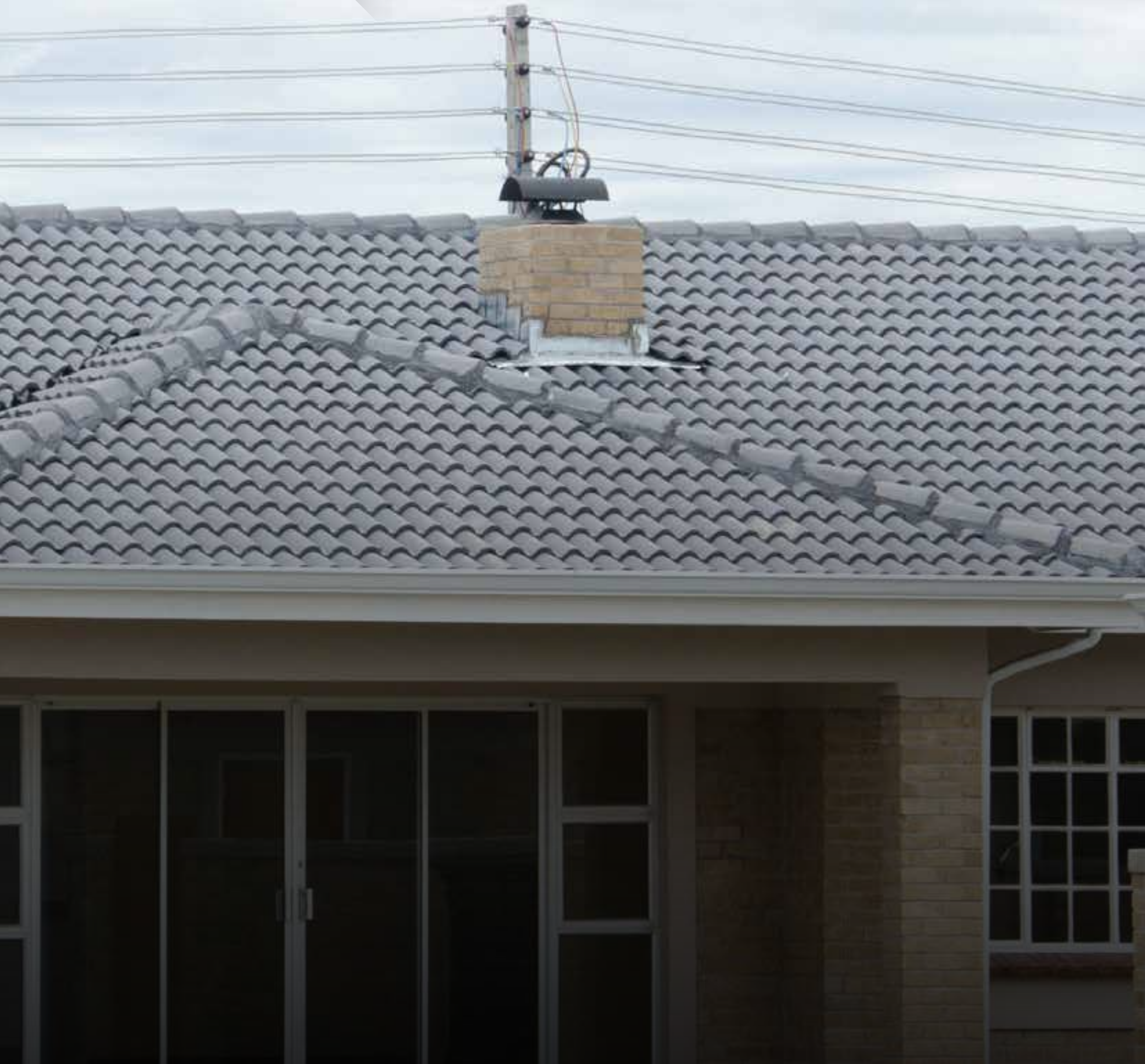
Group Overview



CORPORATE HISTORY

Key Features of Our Corporate Journey

For more than 60 years, Turnall Holdings Limited has been a regional market leader in the manufacture and supply of fibre cement products made from select quality chrysotile asbestos fibres.

Alfred Porter, a dynamic Australian, who was both an engineer and entrepreneur and a specialist in the field of asbestos cement, saw the great potential of starting the industry in the country. Porter Cement Industries was born and the Harare Works produced its first asbestos cement sheets, which were used to provide cover for the machine that had made them.

Highlights of some important milestones in the development of our group and establishment of the asbestos cement industry in Zimbabwe are listed below:

1949: Bulawayo produces its first asbestos cement sheets.

1953: Turner & Newall bought out Alfred Porter, and over the next few years introduced modern techniques and expertise and built new offices and laboratories.

1962: Bulk cement silos installed at both the Harare and Bulawayo plants.

1977: A second sheeting machine built and installed in Harare.

1992: Brand new sheeting line purchased from Lamort, France, installed at Harare factory as the third sheeting line.

1996: Environment-friendly fibre treatment facilities installed at both Harare and Bulawayo factories.

2002: Completed three tier change rooms in compliance with ILO 162 Convention.

Turnall Holdings Limited was listed on the Zimbabwe Stock Exchange.

Certified to an integrated Quality and Environmental Management System (ISO 9001: 2000 and ISO 14001:1996).

2003: Certified to OHSAS 18001:1999 Occupational Health and Safety Management System.

2004: A computerised Enterprise Resource Planning system was introduced, integrating the three certified systems incorporating the HIV/AIDS management system and the Social Accountability Standard among others.

2006: Awarded, in recognition of Business Excellence, the Confederation of Zimbabwe Industries (CZI), Industrialist of the Year Award-Second Runner Up.

2008: Started manufacture of asbestos-free products destined for export markets.

2010: Won awards for the Best Manufacturing Company and Overall Best Quoted Company on the Zimbabwe Stock Exchange, sponsored by Zimbabwe Independent and African Banking Corporation of Zimbabwe Limited.

2011: Awarded the 2011 Superbrand in the construction sector category.

2013: Started the manufacture of concrete roofing tiles.

Overall winner of the inaugural Corporate Governance Awards 2013 - Institute of Chartered Secretaries and Administrators of Zimbabwe (ICSAZ).

Overall Winner in Sustainability Reporting Category 2013 - Institute of Chartered Secretaries and Administrators of Zimbabwe (ICSAZ).

Awarded Life Time Investor, Construction 2013 - Zimbabwe Investment Authority (ZIA).

2017: 2nd Prize for Best Stakeholder Practices and Sustainability Reporting under Listed Companies Category (ICSAZ).

2nd Prize for Best Board Governance Disclosures under Listed Companies Category (ICSAZ).

3rd Prize for Overall Best Corporate Governance Disclosures under Listed Companies Category (ICSAZ).

1st Prize Energy Management - CZI Matebeleland chamber - sponsored by ZETDC.

2018: 1st Prize Energy Management – Matebeleland Chamber - Sponsored by ZETDC

Overall Winner 2018 on Energy Management CZI Award supported by ZETDC

2019: Overall Winner 2019 on Energy Management CZI Award supported by ZETDC.

Ravenna tile product of the year at 2019 National Annual Quality Awards.

Winner in roofing construction sector at MAZ Superbrands 2019.

2019 Business Transformation Award - CSR Network Zimbabwe.

OUR VISION, MISSION AND VALUES

Vision

To be a global leader in the provision of high quality construction solutions.

Values

Innovation I Teamwork I Integrity I Excellence I Customer centricity

Mission

"We satisfy stakeholder needs by providing innovative, safe, sustainable and cost effective construction solutions."

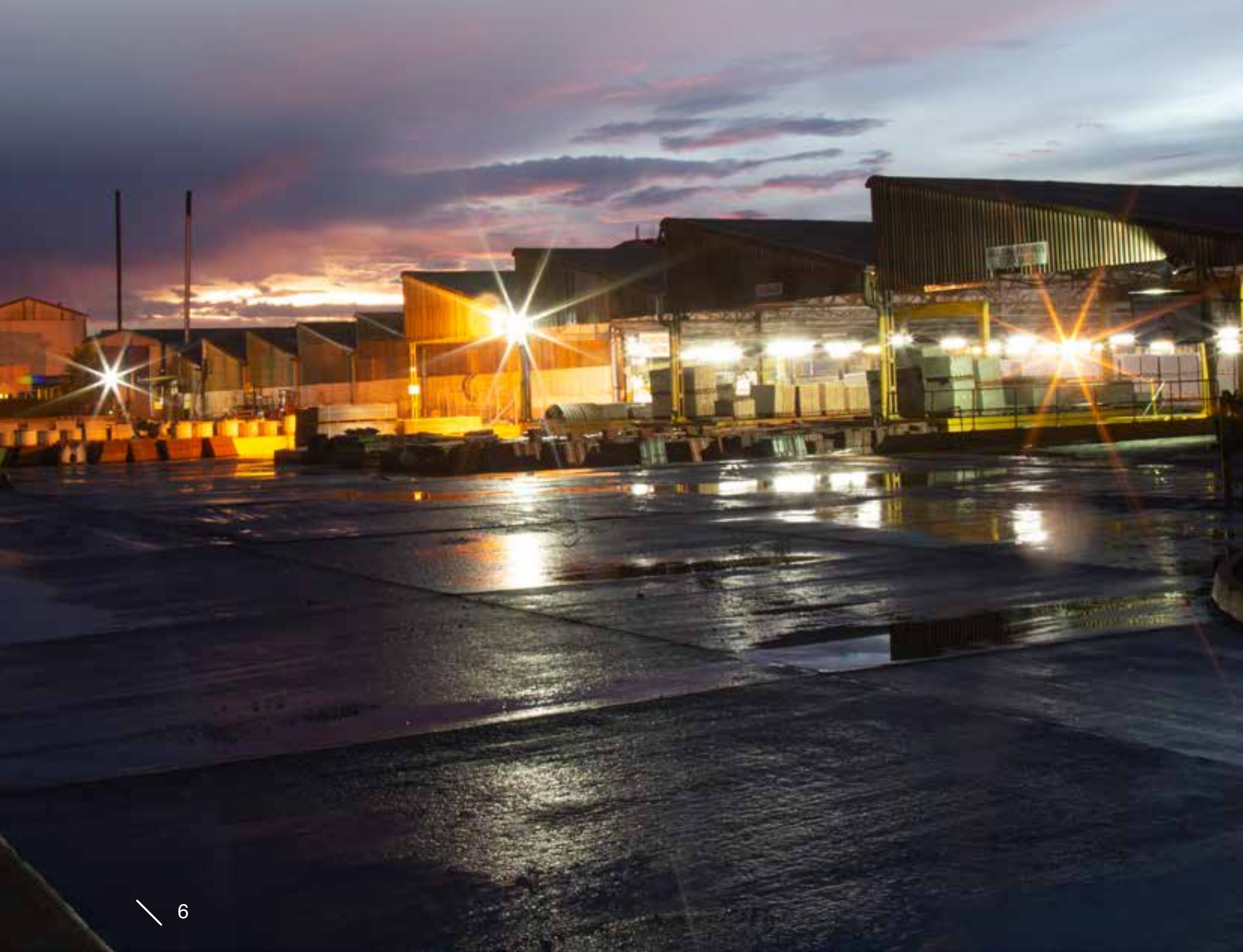
Pay off Line

We TurnAll dreams into reality

GROUP PROFILE

TURNALL HOLDINGS LIMITED

- Turnall (Private) Limited — **DORMANT SUBSIDIARY**
- Turnall Fibre Cement — **TRADING DIVISION**
- Tractor and Equipment (Private) Limited — **DORMANT SUBSIDIARY**



OUR BUSINESS PORTFOLIO AND PRODUCTS

Turnall Fibre Cement

Turnall Holdings Limited (the company) trades as Turnall Fibre Cement and comprises two main sub-divisions namely:

- Turnall Building Products; and
- Turnall Piping Products.

Main raw materials are chrysotile fibre, sand and cement. Manufacturing takes place in Bulawayo and Harare.

Business Associations

Turnall Holdings Limited is a member of the following bodies;

- Confederation of Zimbabwe Industries (CZI);
- Business Council on Sustainable Development in Zimbabwe (BCSDZ);
- Zimbabwe National Chrysotile Taskforce;
- Marketers Association of Zimbabwe (MAZ);
- Institute of Personal Management of Zimbabwe (IPMZ); and
- Construction Industry Federation of Zimbabwe (CIFOZ).

Our Market Presence

Key markets include the low-income housing sector for building products and local authorities and municipalities for piping products.

Apart from our local market, Turnall Holdings Limited supports the following regional markets with high quality and affordable construction materials:

- Botswana;
- Mozambique;
- South Africa; and
- Zambia.

HIGHLIGHTS OF OUR GROUP PERFORMANCE

	Inflation Adjusted	
Group performance and position (ZWL)	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	999,569,948	1,038,820,789
Profit for the year	164,515,921	433,999,960
Total assets	2,383,846,204	2,176,160,495
Total liabilities	690,364,182	650,355,308
Profitability ratios (%)		
Gross profit margin	33%	33%
Operating profit margin	10%	12%
Return on shareholders equity	10%	28%
Effective tax rate	23.01%	2.62%
Statutory tax rate	24.72%	24.72%
Share performance		
Closing market capitalisation (ZWL'000)	458,527	54,234
Basic and diluted earnings per share (cents)	33.00	88.00
Net asset value per share (cents)	343.48	309.47
Closing share price (cents)	93.00	11.00
Highest share price (cents)	100.00	13.00
Liquidity and leverage ratios		
Interest cover (times)	29.16	15.62
Current ratio	2.29	2.32

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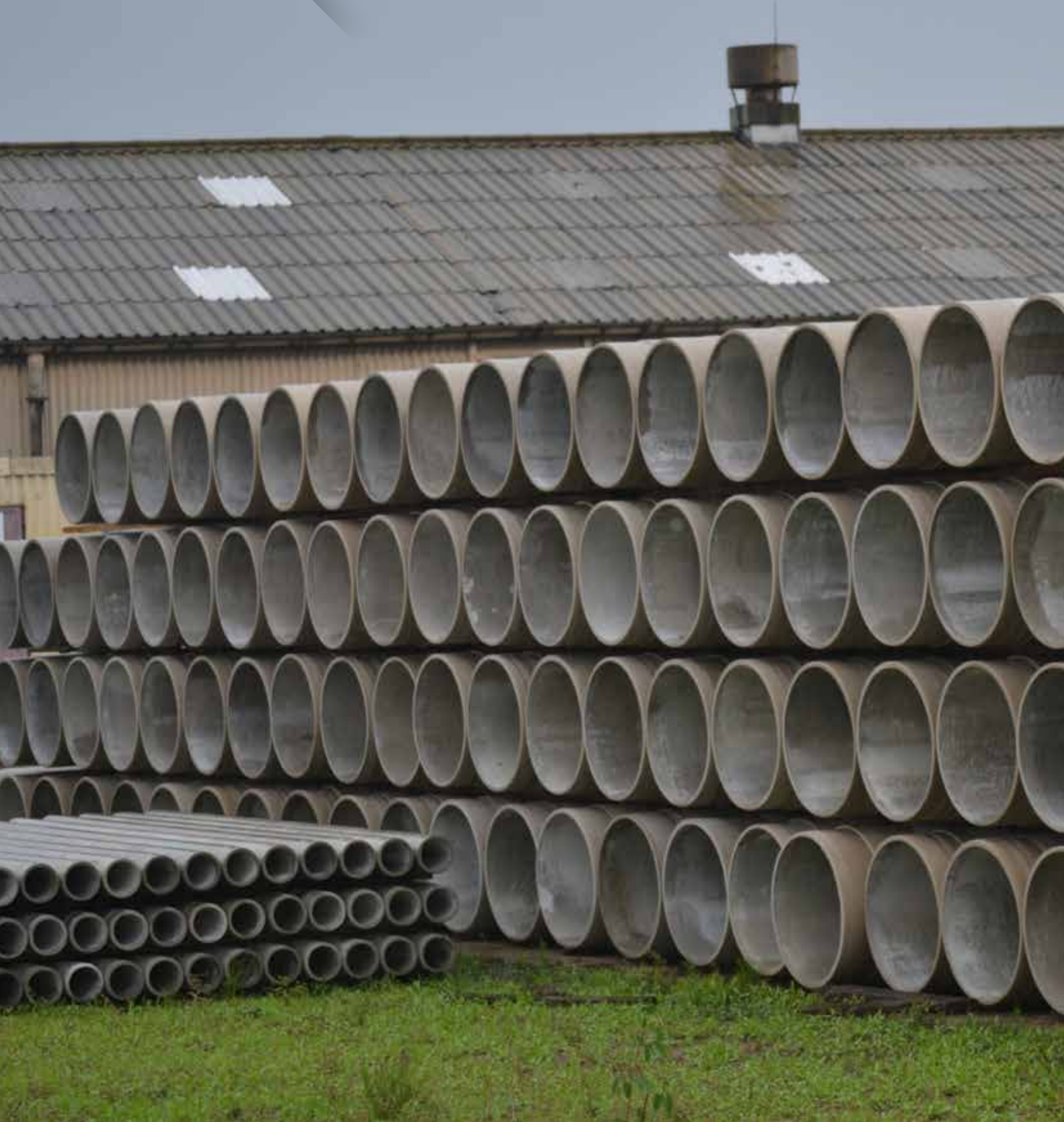
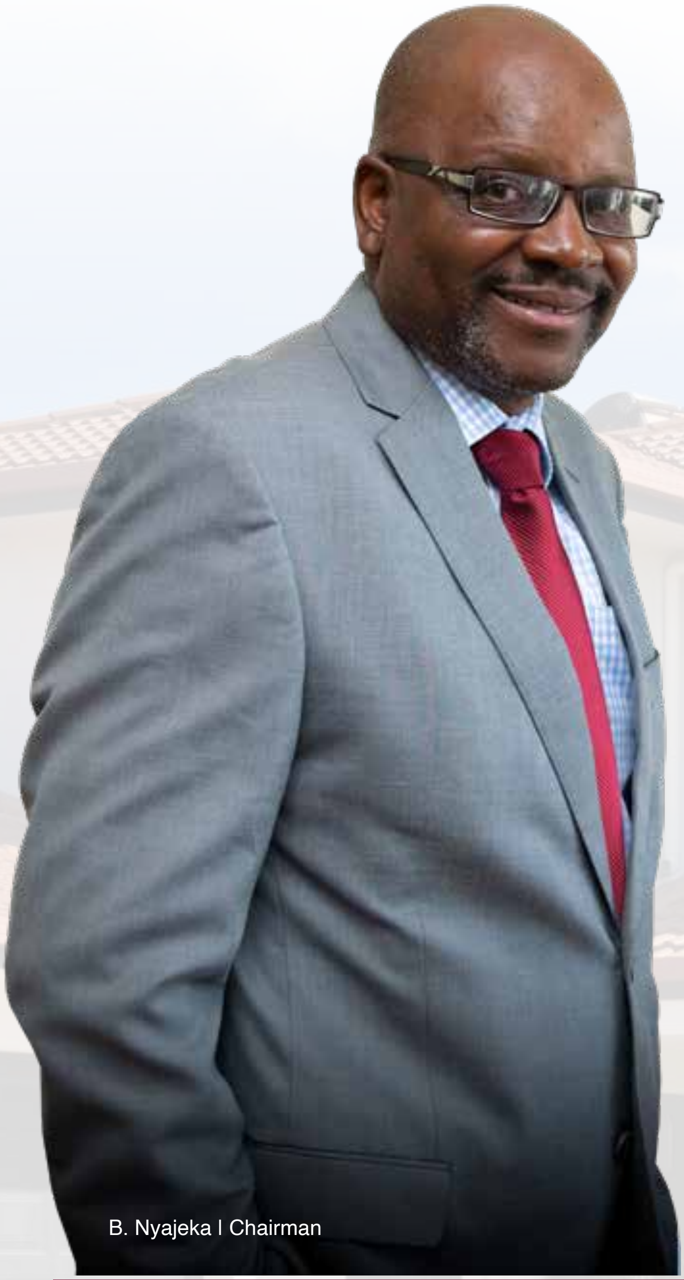
Governance, Ethics & Engagements



CHAIRMAN'S STATEMENT



B. Nyajeka I Chairman

Introduction

On behalf of the Board of Directors, I hereby present the Turnall Holdings Limited audited abridged consolidated financial statements for the year ended 31 December 2020.

Operating Environment

The COVID-19 pandemic had a major impact on the economy and the business with the resultant lockdowns and movement restrictions affecting trading activity. The informal sector, which contributes significantly to the economy was the worst affected by trade restrictions and this reduced disposal incomes and products demand.

The Group implemented the appropriate regulatory measures and guidelines to ensure that the business operates in a safe environment for its customers, staff, and all stakeholders. Management set up a COVID-19 taskforce and operating procedures to ensure that the safety protocols are adhered to. The measures increased the cost of business through acquisition of personal protective clothing, sanitisers, and private hire transport for staff.

The return of the United States dollar as a legal means of exchange in the country, together with the introduction of the foreign currency auction system helped stabilise the exchange rate and price stability. The company is now raising enough foreign currency locally to meet its import requirements.

Financial Performance

The Group prepared financial statements in accordance with International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies. This requires Inflation adjusted financial statements to be presented, as the primary financial statements with the historical financial statements being prepared for information purposes.

Demand for the company's products was high during the year. The sales volumes for the year were 9% above the previous year despite the company having lost a full month's trading in April due to the lockdown.

> **"The gross profit percentage remained at 33% for the two comparative periods and operating expenses were 27% of revenue compared to 26% in the previous year."**

CHAIRMAN'S STATEMENT (CONT'D)

Turnover for the year was 4% lower than the previous year. The company generated most of its revenues in USD and was converted at the fixed exchange rate ruling at that time resulting in the decrease in revenue compared to the previous year.

The gross profit percentage remained at 33% for the two comparative periods and operating expenses were 27% of revenue compared to 26% in the previous year.

Export volumes were 43% lower than the previous year as they were affected by border closures, international cargo logistics constraints and lack of competitiveness in the regional markets.

The Group inflation adjusted net profit after tax for the year was $165 million compared to $434 million for the previous year. Earnings per share were 33.37c vs 88.03c, impacted by a higher tax charge, following utilisation of accumulated tax losses in 2019.

Operating activities generated $320 million of cash, of which $162 million was invested into working capital, $118 million on capital expenditure and $20 million on loan repayment. Cash and cash equivalents increased by $7 million.

Outlook

There are good prospects for growth in the construction industry and particularly individual housing projects as the national housing backlog continues to grow. The new regulations prohibiting the sale of unserviced stands are expected to improve demand for water and sewage reticulation pipes.

The strict lockdown for the first one and half months of this year reduced the company's sales volumes as most of the customers' businesses were deemed not essential and were closed for business. Volumes started to improve in March and the company expects to get to the normal trading levels in the second quarter if its customers can remain open for business.

The Covid -19 pandemic continues to cause disruption and its impact on the business in the short to medium term is uncertain. Nonetheless, there is hope in the longer term with the introduction of vaccines, and the good rains of late are expected to provide a significant stimulus to economy this year. Management has implemented measures to ensure business continuity and viability in the uncertain environment and will continuously review these measures.

The health and safety of our customers, employees and stakeholders is important to us. The company adheres to the WHO COVID-19 guidelines provided by the authorities to ensure a safe working environment.

Dividend

The Board has resolved not to declare a dividend for the period and reinvest profits to improve working capital.

Board and Management

The Managing Director, Roseline Chisveto, left the Group after the expiry of her contract on 31 August 2020. We would like to welcome the new Managing Director, Mr. Zvidzayi Bikwa, who joined the Group on 1 December 2020. We look forward to his contributions to the Group.

Disposal of Turnall shares by the National Social Security Authority (NSSA)

Further to the cautionary statements published earlier, the Board of Directors wish to advise shareholders that one of the company's shareholders, NSSA, is still engaged in a transaction to dispose its 32.55% shareholding in the business. The transaction if successful, could have a material impact on the value of the Company's shares.
The Board therefore advises shareholders to continue exercising caution when dealing in their Turnall Holdings Limited shares and to consult their professional advisers before dealing in their shares until such time as the results of the said development are known.

Appreciation

On behalf of the Board of Directors, I would like to thank our customers, suppliers, key stakeholders, my fellow Directors, Management and Staff of Turnall Holdings Limited for their continued support.

By Order of the Board.

Mr. B. P. Nyajeka
Board Chairman

9 April 2021

MANAGEMENT'S REVIEW OF OPERATIONS

Z. Bikwa - Managing Director

Economic environment

The major highlight of the year 2020 was the spread of the COVID-19 pandemic and its effects on business and human life throughout the world. The lockdowns that were implemented across the globe and locally affected procurement, logistics and other business operations.

The Reserve Bank introduced the auction system during the year and this helped stabilise the exchange rate although there were significant price adjustments that were made as the foreign currency auction took effect from the fixed exchange system. Inflation was still high during the year but was showing a declining trend.

The reintroduction of the United States Dollar as legal tender for local transactions helped the company raise enough foreign currency from local trading to meet import requirements.

Review of operations

The Group reported a 9% increase in sales volumes to 46 347 tonnes (2019: 42 558 tonnes). The Group started the year well with first quarter volumes being 12% above the previous year and looked forward to a significant volumes increase for the year. This was however, thwarted by the lockdowns that followed with the second quarter being the hardest hit. Demand increased in the third quarter up to the end of the year and the company was unable to meet demand due to logistical challenges.

The Group continued to rely on roofing sheets as a major source of revenue. Roofing sheets and ancillary products contributed 78% of the Group turnover, tiles contributed 17% and the 5% balance was from pipes and exports.

The COVID-19 pandemic affected the Group's ability to export and export volumes declined by 4%.

"The Group reported a 9% increase in sales volumes to 46 347 tonnes (2019: 42 558 tonnes).."

MANAGEMENT'S REVIEW OF OPERATIONS (CONT'D)

The Group' turnover for the year was 4% lower than the previous year and the margin remained at 33% for the two comparative periods. The COVID-19 pandemic affected economic activities and this had an impact on disposable incomes. Therefore there was pressure to reduce prices to stimulate demand. The company reduced prices but also reduced some costs thus maintaining the margin at the previous level.

The overall plant capacity utilization was 36%. The capacity utilization on the individual plants were Bulawayo AC plant 70%, concrete tile plant 35% and pipe plant 1%.

The Group paid off the ZAMCO debt and reduced a substantial part of the legacy debt. The total legacy debt at the end of the year was $8.262 million (2019: $58 285) and cash and cash equivalents of $18.2 million.

Safety, Health and Environment

The Group strives to ensure that its operations are conducted in a safe environment that does not endanger the health and safety of its employees, customers, and other stakeholders. The Group is anchored by strong business systems and is ISO 9001, ISO 14001, and OHSAS 18001. The Group is an active member of the Business Council on Sustainable Development Zimbabwe whose mission is "to promote pro-active and continuous improvement of sustainable development in business in Zimbabwe through the interlinked pillars of corporate, environmental, economic and social responsibilities".

Sustainability performance

The Group continued to apply an integrated approach in managing sustainability impacts and opportunities. The Group uses the Global Reporting Initiatives (GRI) Sustainability Reporting Framework as a business model in addressing and managing economic, environment, social and governance aspects of our operations. Our sustainability team played a critical role in identifying and advising management of economic, environmental and social impacts, and opportunities, and their disclosure for accountability to the public and our stakeholders. Our sustainability performance for the year is presented in our eighth sustainability report prepared in accordance with requirements of the Global Reporting Initiatives (GRI) Sustainability Reporting Framework (G3.1)-Application Level C. The report is presented in an integrated format together with our financial performance in this annual report for 2020. The report reflects the Group's sustainability performance on material issues relating to the business and our stakeholders. It focuses on economic, environmental, and social matters as well as our governance and ethics approach during the year under review.

Legislative environment

Turnall is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates.

Future prospects

The Group operations for the first quarter 2021 were affected by the tougher lockdown restrictions introduced in January. However, the business recorded higher volumes than the comparative period last year. Management plans to increase sales volumes above the previous year taking into account the good start that the company experienced in the first quarter.

The Group continues to monitor the impact on business resulting from the COVID-19 pandemic and the measures that are being taken by the Government. The Group is complying with health and safety guidelines as recommended by the Government and World Health Organisation to prevent the spread of the disease, which include hand washing, use of hand sanitizers, having appropriate personal protective equipment and adhering to social distancing guidelines. There are uncertainties on many aspects of the COVID-19 pandemic, the duration, and measures to control it which makes it difficult to estimate the future impact of the pandemic on the financial performance and financial position of the business.

Appreciation

I would like to take this opportunity to thank the Board, suppliers, customers, employees, and all other stakeholders for their support to the Turnall business and welcoming me as I joined the Turnall family. I look forward to your continued support.

Z. B. Bikwa
Managing Director

16 April 2021

OUR GOVERNANCE AND ETHICS APPROACH

Directorate


01
Bothwell Nyajeka
Non-Executive Board Chairman


02
Zvidzayi Bikwa
Managing Director


03
Innocent Chinyama
Non-Executive Director


04
Munyaradzi Gwanzura
Non-Executive Director


05
Samson Mavende
Finance Director


06
Noel Hayes
Non-Executive Director


07
Portia Marufu
Non-Executive Director


08
Bevin Ngara
Non-Executive Director

OUR GOVERNANCE AND ETHICS APPROACH (CONT'D)

Directorate

01 Bothwell Nyajeka
Non-Executive Director Board Chairman

BAcc (UZ), CA (Z), MBL (UNISA)
Tenure 5 years. He is also a Non-Executive Director for several companies which includes:
- Zimnat Life Assurance Limited.
- Sable Chemicals Limited.
- Caps (Pvt) Ltd.

02 Zvidzayi Bikwa
Managing Director

Bcom Economics, Msc Tourism, MBL
He was appointed to the Turnall Holdings Limited Board in 2020.

04 Munyaradzi Gwanzura
Non-Executive Director

BA LLB (Natal) DiSAC (SA), CEDR (UK)
Tenure: 5 years

03 Innocent Chinyama
Non-Executive Director

B. Compt (SA), MCF (Italy)
Tenure 5 Years
He is also a board member at:
- AfriAxis Limited (St. Kitts and Nevis)
- AfriAxis Financial South Africa.

05 Noel Hayes
Non-Executive Director

CFA (UK)
Tenure 5 years.
A retired Member of the London Stock Exchange and Founder shareholder of LHG Malta Holding Limited with equity investments in ART Holdings, Innscor, Hippo Valley, First Mutual and Old Mutual Zimbabwe.

06 Portia Marufu
Non-Executive Director

BSc Nursing
Tenure 6 years.

07 Samson Mavende
Finance Director

B. Acc (UZ), CA (Z)
Tenure: 3 years

08 Bevin Ngara
Non-Executive Director

CFA (Zimbabwe), MBA (ESMT)
He was appointed to the Board of Directors in 2020.
He is Vice President of the Investments Professional Association of Zimbabwe (An association of local members of the CFA Innstitute based in Zimbabwe)

OUR GOVERNANCE AND ETHICS APPROACH (CONT'D)

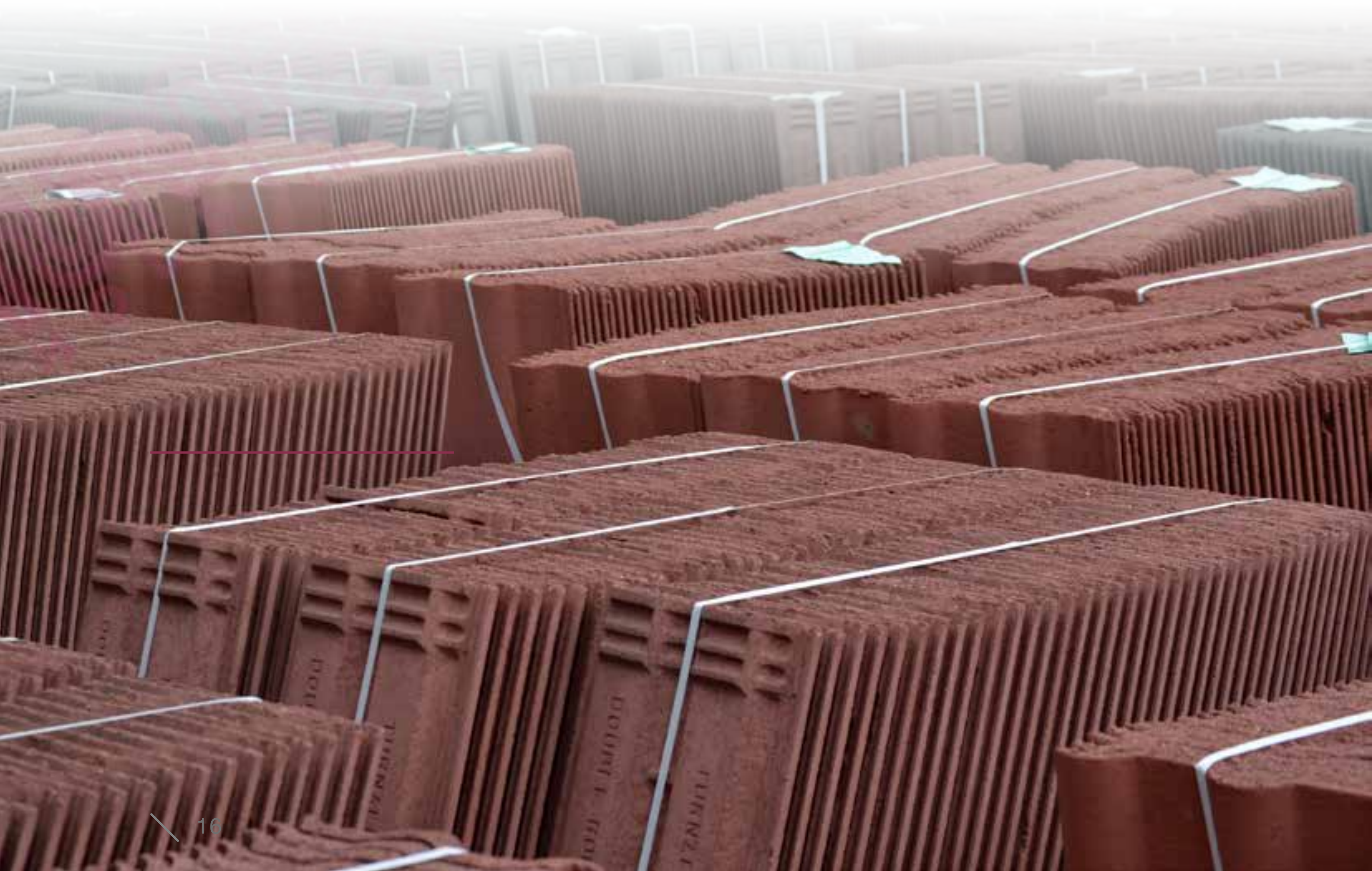
Management

Zvidzayi Bikwa
Managing Director

Bcom Economics, Msc Tourism, MBL
He joined Turnall Holdings Limited in 2020.

Samson Mavende
Finance Director

B Acc (UZ), CA (Z)
He joined Turnall Holdings Limited in 2017.



OUR GOVERNANCE AND ETHICS APPROACH (CONT'D)

Governance and Approach

We recognise that good corporate governance is vital to the long term success and integrity of our Group. As such, we are committed to the highest standards of ethical and sustainable business practices to enable management of risks and opportunities arising from our operations.

To reflect our commitment to good corporate governance and sustainable business practices, we have included our ninth sustainability report using the Global Reporting Initiatives (GRI's) Sustainability Reporting Guidelines. As custodians of good governance and strategy direction, we strive to ensure that there is clear allocation of responsibilities to demonstrate balance of power and authority. The Group endeavors to improve its corporate governance systems toward alignment with the National Code on Corporate Governance of Zimbabwe.

Business Ethics

Turnall Holdings Limited is a member of the Tip-offs Anonymous service provided by Deloitte & Touche. All of our staff have been trained on how to use this service should they detect or become aware of any corrupt acts impacting on the Group's profitability or operations. Where incidents of corruption are identified, investigations are carried out through our internal audit and risk department. Depending on the nature of the case, the Zimbabwe Republic Police may also be engaged.

Mechanisms for Communication with Shareholders

Turnall Holdings Limited has formal platforms for engaging and communicating with shareholders. The platforms include formal meetings, the Annual General Meeting, press announcements on interim and year-end results, presentations, the Group website, annual reporting to shareholders and exercising of shareholders voting rights through the proxy forms.

Board and Management Ethics

Turnall Holdings Limited believes that it is the responsibility of the Board and management to lead by example in observing ethical practices. As such, all Directors are required to declare their interests that may be deemed to be in conflict with their appointment or contract with the Group.

Board Structure

The structure of our Board is such that 75% are non-executive (6) and 25% are executive (2). Five of the non-executive directors are independent. The other non-executive director, Mr Noel Hayes, is a shareholder in LHG Malta which has a 10.14% shareholding in the Group.

Board Expertise

Board members possess skills that include accounting, finance and investment, health and economics. The main responsibility of our Board is to support good corporate governance, strategy formulation and guide policy implementation. Some members are further allocated responsibilities within sub-committees in areas of strategic strength and expertise.

OUR GOVERNANCE AND ETHICS APPROACH (CONT'D)

Sub-committees Membership and Roles

Strategic to the implementation of key policies, decisions and guidance are our committees that work closely with management. These Finance and Audit, New Business, Technical and Investments, and Human Resources Committees. It is the Group's ambition that the composition and mandates of the committees are aligned to the requirements of National Code on Corporate Governance of Zimbabwe and the listing requirements of Zimbabwe Stock Exchange.

Committee	Composition	Roles and Responsibilities
Risk and Audit	Mr B. Ngara (Chairman) Mr N. Hayes Mr I. Chinyama Mr M. Gwanzura	• Reviewing reports from management, internal auditors and the Group's external auditors in relation to Group interim and annual financial statements, as well as accounting and internal control systems. • Recommending the appointment of external auditors and their remuneration to the main Board. • Reviewing reports on the Group's risk policies, risk assessment and risk management. The committee meets at least quarterly.
New Business, Technical & Investments	Mr I. Chinyama (Chairman) Mr N. Hayes Mr B. Ngara Mrs P. Marufu	• Identifying new business portfolios and projects • Conducting and appraising new projects identified to ensure they fit with the business's overall vision and mission. The committee meets at least quarterly.
Nomination, Human Resources and Remuneration	Mr M. Gwanzura (Chairman) Mrs P. Marufu Mr B. Nyajeka	• Discussing and advising on matters pertaining to human resource policies, staff retention and remuneration of non-executive directors, executive directors and staff. • Nominating potential Board Members and making recommendations to the Board. The committee meets at least quarterly.

OUR GOVERNANCE AND ETHICS APPROACH (CONT'D)

Meeting Attendance during 2020

As part of our performance and commitment, Board members are expected to attend all board meetings. These meetings shape the strategic direction and value creation by the Group. Attendance information of Board members is outlined below.

Director	Position	Date of First Appointment	Attendance at Board Meetings	Attendance at Committee Meetings
Bothwell P Nyajeka	Chairman	25/01/2016	7/7	10/10
Rita Likukuma	Chairperson	01/09/2005	4/4	2/2
Munyaradzi J Gwanzura	Non-Executive	08/01/2016	6/7	11/11
Innocent Chinyama	Non-Executive	08/01/2016	6/7	4/9
Portia S Marufu	Non-Executive	12/08/2015	7/7	9/11
Noel F Hayes	Non-Executive	08/01/2016	7/7	6/9
Roseline Chisveto	Managing Director	01/04/2018	5/5	10/10
Samson Mavende	Finance Director	01/04/2018	7/7	16/16
Bevin Ngara	Non-Executive	12/08/2020	3/3	4/4

Declaration of Directors' Interests

During the year under review, no director had material interests in contracts which could cause significant conflict of interest with the Group's objectives.

OUR SUSTAINABILITY APPROACH

We strive to operate our business in a socially and environmentally responsible manner. The Group continues to strengthen its systems to address both environmental and social aspects associated with its operations. The Group adopted implementation of the Global Reporting Initiatives (GRI)'s Sustainability Reporting Framework through a sustainability team responsible for assisting in identifying and managing material issues, risks and opportunities associated with the Group's operations.

Our sustainability teams in Harare and Bulawayo monitored and provided performance data on our sustainability key performance indicators for the period under review. The teams comprise of representatives from Finance, Administration, Human Resources, Sales and Marketing, Engineering, Production and World Class Practices (Quality, Environment and Health and Safety) departments.

In keeping with reasonable expectations and interest of a wide range of our stakeholders who include customers, suppliers, regulators, employees, shareholders, investors, government, communities and others, Turnall Holdings Limited adopted an inclusive strategy which requires continuous engagement with stakeholders. Our stakeholder engagement process helps us capture material issues from our stakeholders that help us balance the long term social, environmental and economic interests with the principle of maximising the Group's earnings and business value while responding to concerns of our stakeholders.

The process of identifying indicators reported in this report involved an assessment of the overall business and key issues of concern from our stakeholders. In the process of identifying material issues and choice of indicators, the sustainability team made reference to the GRI-Sustainability Reporting Framework guidelines.

Data measurement

Data measurement in this report is according to specific indicators selected, particularly where graphs and tables are presented. In most indicators, quantitative data is provided. Where the latter is not provided, qualitative data is provided. Data measurement is according to systems and policies of Turnall Holdings Limited.

Limitations

For the specific indicators reported, no major limitations were encountered in providing required data.

PRINCIPAL RISKS AND OPPORTUNITIES

Our Approach

We believe that our operations are subject to risks and opportunities material to the business and implementation of our strategies. Therefore, we apply a Risk Management (RM) framework which is designed to identify potential risks and manage those risks within our Group's risk appetite in order to enhance the outcome of our corporate objectives. Our risk framework considers challenges, opportunities and uncertainties that may impact our strategic and financial objectives.

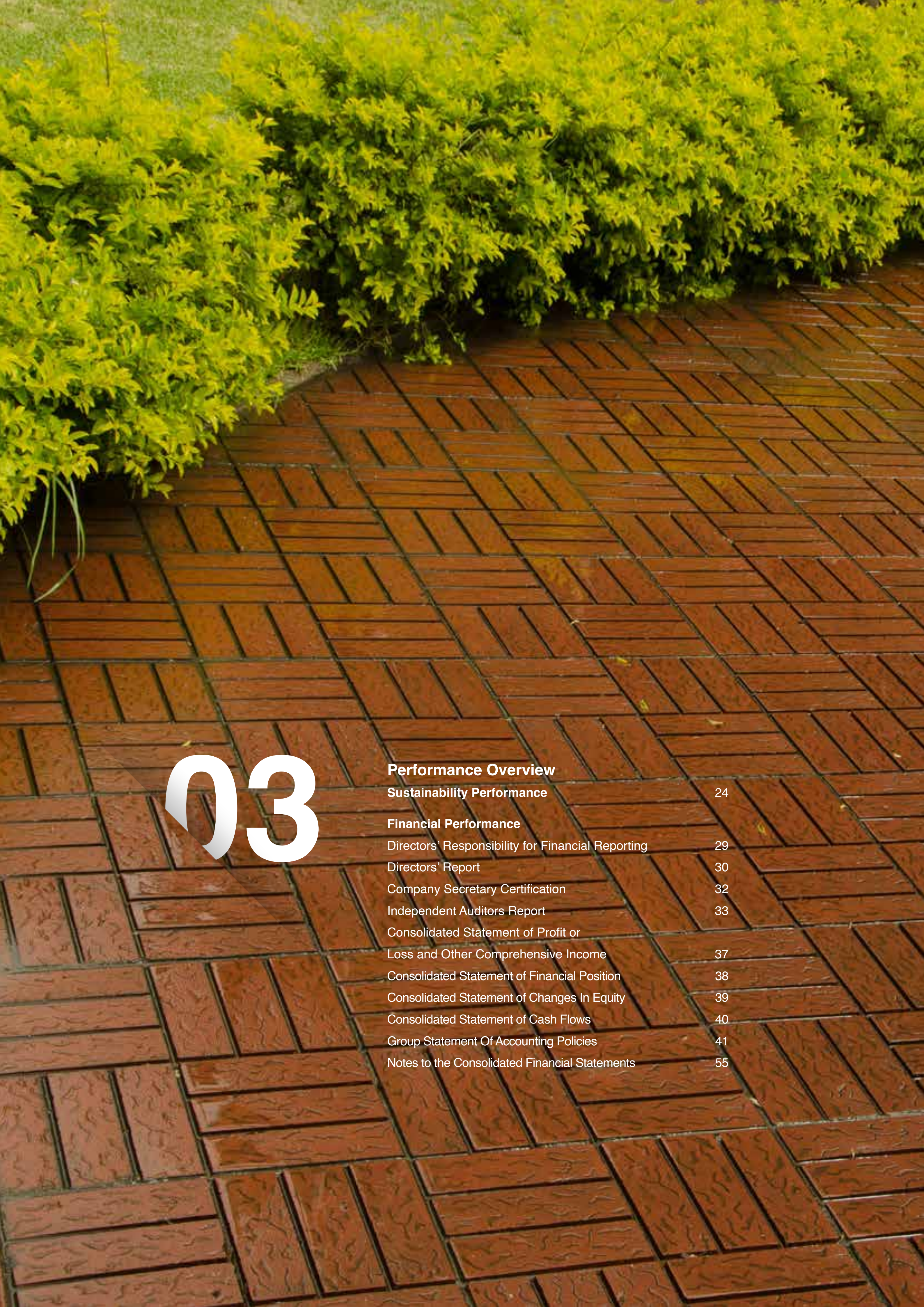
Risk and Opportunity	Mitigation Measure and Action
Increased competition We are faced with increased competition from local competitors and imports supplying at a low cost to our markets. The opening of global markets has attracted competition from foreign companies. Competition could lead to a reduction in the rate at which we attract new customers especially in the export markets.	We continue focusing on high quality customer service and value of our products. We are enhancing distribution channels to get closer to customers and using targeted promotions, where appropriate, to attract and retain specific customers by offering competitive prices. We closely monitor and model competitor behavior, customer partnerships and products by understanding future intentions to be more proactive. We continue to build strong customer relations by offering free technical support.
Threats of products' ban in foreign markets The anti-asbestos campaign has led to banning of asbestos products in some of our foreign markets.	The Group plans to increase capacity of our non-asbestos plant so that it produces to meet demand in export markets. The manufacturing of concrete based roofing materials provides an alternative to asbestos based products that face the ban. The Group ensures and monitors the production and safe use of asbestos-containing materials in Zimbabwe under the guidance of the Zimbabwe National Chrysotile Task Force (NCTF).
The spread of COVID -19 disease The disease is affecting the whole world and has caused lockdowns and closing of business operations. It is uncertain regarding the duration of the pandemic, the impact on the economy and the measures the Government will take.	The Group will adhere to the health standards required to prevent the spread of the disease.
Huge infrastructure backlog and housing deficit The government is working on improving infrastructure and providing accommodation to citizens in a quest to be a middle-income economy by 2030.	The Group has built capacity to provide high quality, affordable construction materials. The Group is actively involved in enhancing product offering.
Access to financial capital The Group is encountering challenges in accessing affordable funding for working capital requirements. .	The Group is now profitable and debt free. The Group has unencumbered properties that can be used as security for borrowings.
Reliance on imported raw materials The Group relies heavily on imported raw material of chrysotile fibre and critical spares.	The Group is making efforts to export and to increase its presence in the regional market.
Loss of consumer confidence The confidence of consumers in our products depends on our ability to maintain high quality. Therefore, failing to provide appropriate quality could lead to loss of confidence.	We depend on continuous improvement of our production processes, strict maintenance schedules and upgrading where necessary. Product performance on our markets is also continuously monitored. We have established good relationships and processes with key suppliers to ensure provision of high-quality raw materials. We also periodically monitor the state of our equipment.

STAKEHOLDER ENGAGEMENT

Critical to our strategy is building and maintaining strong relationships with key stakeholders. Our stakeholders include customers, suppliers, financial institutions, government, regulators, shareholders, investors, employees, local authorities, civil society, communities, economic sector representative bodies and others. These stakeholders are identified following due process based on how the Group impacts them and how they impact the Group both directly and indirectly. The prioritisation of these stakeholders is conducted following internal due process supported with guidance provided in the Global Reporting Initiatives (GRI's)-Sustainability reporting framework.

The Group developed a system of engaging key internal and external stakeholders so as to capture material issues that the Group can improve on. In so doing, the Group used a broad range of strategies that included one on one formal and informal meetings, presentations, media, workshops, circulars, conferences and consultations to name a few. Outcomes of these key engagements are reviewed to provide appropriate responses and actions as reflected below.

Stakeholder	Method of engagement	Frequency	Material issues raised	Action taken / planned
Employees	• Works council meetings • NEC meetings • SHEQ meetings • Management meetings	Monthly and as agreed by both parties	Business performance, conditions of service and continued employment	Improvement of identified performance gaps and continuous updates to employee on Group performance
Shareholders	• Board meetings • Analyst briefings • Annual General Meeting	Quarterly and annually	Business performance	Improvement of identified performance gaps
Suppliers	• Meetings • Written correspondences • Supplier evaluations	Bi-annually and as appropriate	Quality of service/ product and payment models	Conforming to the agreed issues
Customers	• Meetings • Correspondence through email • Customer evaluations	Continuously	Customer service, promotions, transportation issues, pricing and product performance	Improvement on identified gaps
Government	• Meetings • Written communication	On all developments that merit a meeting/ communication	Business performance and environmental, safety and health impact of policy issues	Improvement of identified performance gaps and adoption of new policies, standards and/ or legislation as appropriate
Regulators	• Written correspondences • Meetings and workshops/ conferences	At least quarterly and all developments that merit a meeting	Employee wellness and welfare, environment, process, product and service quality. Business performance with tax regulators	Regular performance monitoring through active engagement to enhance improvements
Local Authorities	• Environmental cluster meetings	At least twice a year	Waste and water management	Improved relations and waste and water management practices
Civil Society (NGOs, Trade Unions, N.E.C)	• Seminars and meetings	At least twice a year	Safe use of asbestos, environmental stewardship and conditions of employment	Improved relations



03

Performance Overview

OUR SUSTAINABILITY PERFORMANCE

The sustainability performance of Turnall Holdings Limited has steadily been improving over the years more so in 2020; despite that 2020 had its own unique challenges owing to the COVID-19 pandemic. As per the SI 134 of 2019 guidelines on sustainability reporting for Zimbabwe Stock Exchange listed companies, Turnall Holdings Limited has always maintained transparency on how the business operations impact on society and the environment.

Turnall Holdings has strived to inculcate a culture of environmental management within its employees and other key stakeholders and the organisation is always trying to keep abreast with the latest management systems to monitor performance in this regard. Programmes to monitor and measure performance have been put in place and continue to be reviewed for effectiveness. The ultimate goal is for the company to operate sustainably, ensuring the environment is free from all forms of pollution.

OUR ENVIRONMENT PERFORMANCE

The organisation has ensured that compliance with environmental legislation is part of its strategic objectives and this was achieved in 2020. To further confirm the company's passion in matters concerning the environment, Turnall Holdings engaged Standards Association of Zimbabwe for recertification to ISO 14001 standard for environmental management, The final certification audit was conducted post year end the company awaits the results of the audit.

The manufacturing plants have set ambitious targets for waste reduction at strategic level, This has boosted efforts to reduce environmental pollution.

POLICY AND MANAGEMENT APPROACH

Land Pollution

The issue of environmental degradation due to issues of dumping of waste has become a topic of interest globally. Turnall Holdings realizes the importance of managing solid and hazardous waste that arises from the production processes. Working closely with local authorities and other regulatory authorities such as the Environmental Management Agency, the organisation ensures that any solid and hazardous waste that is produced is adequately and efficiently disposed of. It has also come up with initiatives of recycling waste back into the production process, thereby cutting down on consumption of raw materials which positively impacts on the business profitability.

Water Pollution

Water is life. Turnall Holdings places great emphasis on the conservation of this precious resource. Water from production is being recycled back into the process to maintain a closed loop and minimise environmental pollution. The organisation continues to work with local authorities and government departments to monitor and comply with effluent discharge regulations.

Air Pollution

In manufacturing plants there are pollutants that are released into the atmosphere that can result in environmental consequences such as acid rain and smog. Turnall Holdings has put management programs in place to improve the quality of air emissions.

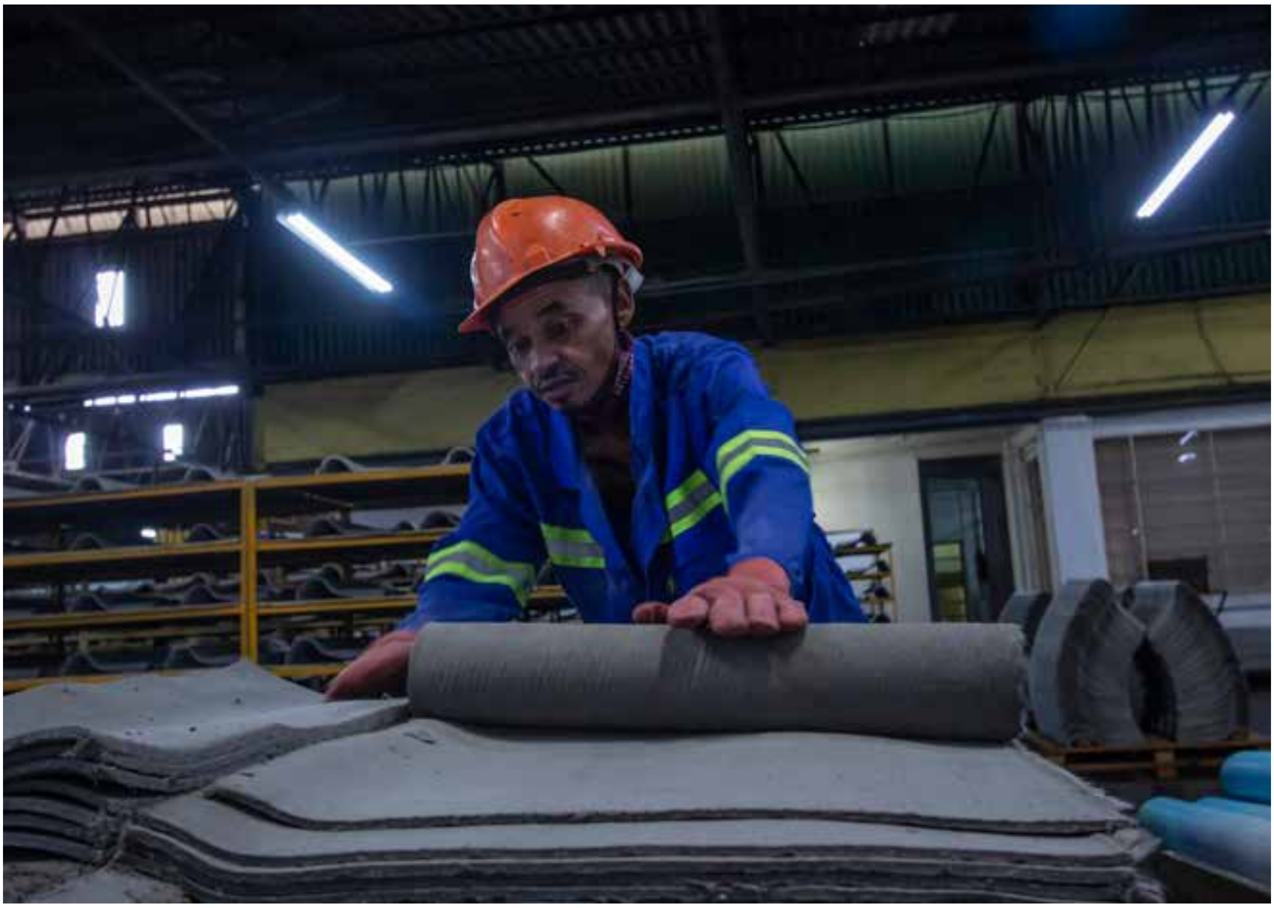
OUR SUSTAINABILITY PERFORMANCE (CONT'D)

HUMAN CAPITAL MAINTENANCE

Policy and Management Approach

People are the company's most important assets. Turnall Holdings Limited takes pride in its people. However, it is important to be aware that changes in the global market and demographics are escalating causing turmoil. The issue of COVID-19 among other things have ravaged the economy hence there was not much business activity that took place during the year.

The company continues to engage employees through the NEC platforms to resolve or diffuse any potential industrial dispute. On health issues the company continues to focus on its preventive health model for its employees by regularly having 5 minutes awareness programs encouraging employees to stay healthy. The company also encourages employees to abide to COVID 19 management guidelines by wearing face masks, practicing social distancing and sanitizing. A healthy employee is a productive employee. Employees are encouraged to take charge of their health.



OUR SUSTAINABILITY PERFORMANCE (CONT'D)

Performance

TOTAL WORKFORCE ANALYSIS	2020	2019	2018	2017
Employment Type				
Permanent	148	163	167	179
Contract	207	198	193	166
Graduate Trainees	1	4	4	0
Apprentice	2	4	4	4
Attachment Students	3	2	3	1
Total	361	371	371	350

Workforce Distribution by Region

Employment Type	2019		2018		2017		2016	
	Hre	Byo	Hre	Byo	Hre	Byo	Hre	Byo
Permanent	73	73	79	84	83	84	89	90
Contract	74	134	75	123	73	120	62	104
Graduate Trainees	0	2	1	3	1	3	0	0
Apprentice	1	1	2	2	2	2	2	2
Attachment Students	2	1	1	1	2	1	1	0
Total	150	211	158	213	161	210	154	196

Total Workforce Distribution by Gender

Gender	2020	2019	2018	2017
Male	326	340	343	336
Female	35	31	28	14
Total Workforce	361	371	371	350

Health and Safety

Parameter	2020	2019	2018	2017
Lost time injuries	8	5	6	2
Lost days	134	28	98	33
Work related fatalities	0	0	0	0

The strategic goal of Turnall Holdings is to achieve ZERO HARM. The organisation has a functional health and safety system which is being reviewed continuously for effectiveness. The company has now gone beyond five years without registering any work-related fatality.

COVID-19 Pandemic

The COVID-19 pandemic had a significant impact on businesses worldwide and Turnall Holdings was no exception. To enhance effective management of the outbreak, the organisation set up a COVID-19 Taskforce whose mandate was to put in place procedures and to monitor compliance with statutory requirements as well as World Health Organisation guidelines. The company managed to test all its employees during the year and positive cases were handled as per the statutory requirements. Fortunately, there was no COVID-19 related deaths recorded within Turnall Holdings.

Certification

The certification audit to the two management systems, ISO 9001 and ISO 14001 were successfully conducted by Standards Association of Zimbabwe in 2020. The organisation managed to demonstrate the capacity to be certified and a systems culture is being developed within the employees.

OUR SUSTAINABILITY PERFORMANCE (CONT'D)

PRODUCTS RESPONSIBILITY

Policy and Management Approach

Turnall Holdings Limited strives to continually improve the processes to ensure that there is maintenance of high quality, affordable and environmentally friendly product for its customers. Turnall offers its customers a variety of quality and safe products; that is Concrete Tiles (Venetian and Double Roman in different colours), Non Asbestos roofing products, Asbestos Cement Roofing products, pipes (water reticulation and sewer) driveway pavers, fascia boards and flower pots. Turnall Holdings Limited has stood the test of time in the provision of durable quality and safe products by running a mature quality management system and the company is in the process of upgrading to the newer version of the standard.

OUR ECONOMIC PERFORMANCE

Achievements

- Sustaining a good and open relationship with tax authorities.
- Periodic review of processes to ensure controls remain effective.

This section provide a brief summary of selected economic performance indicators of the Group in 2020. Complete economic performance is provided in the financial statements section of this report.

Key Economic Value Generated

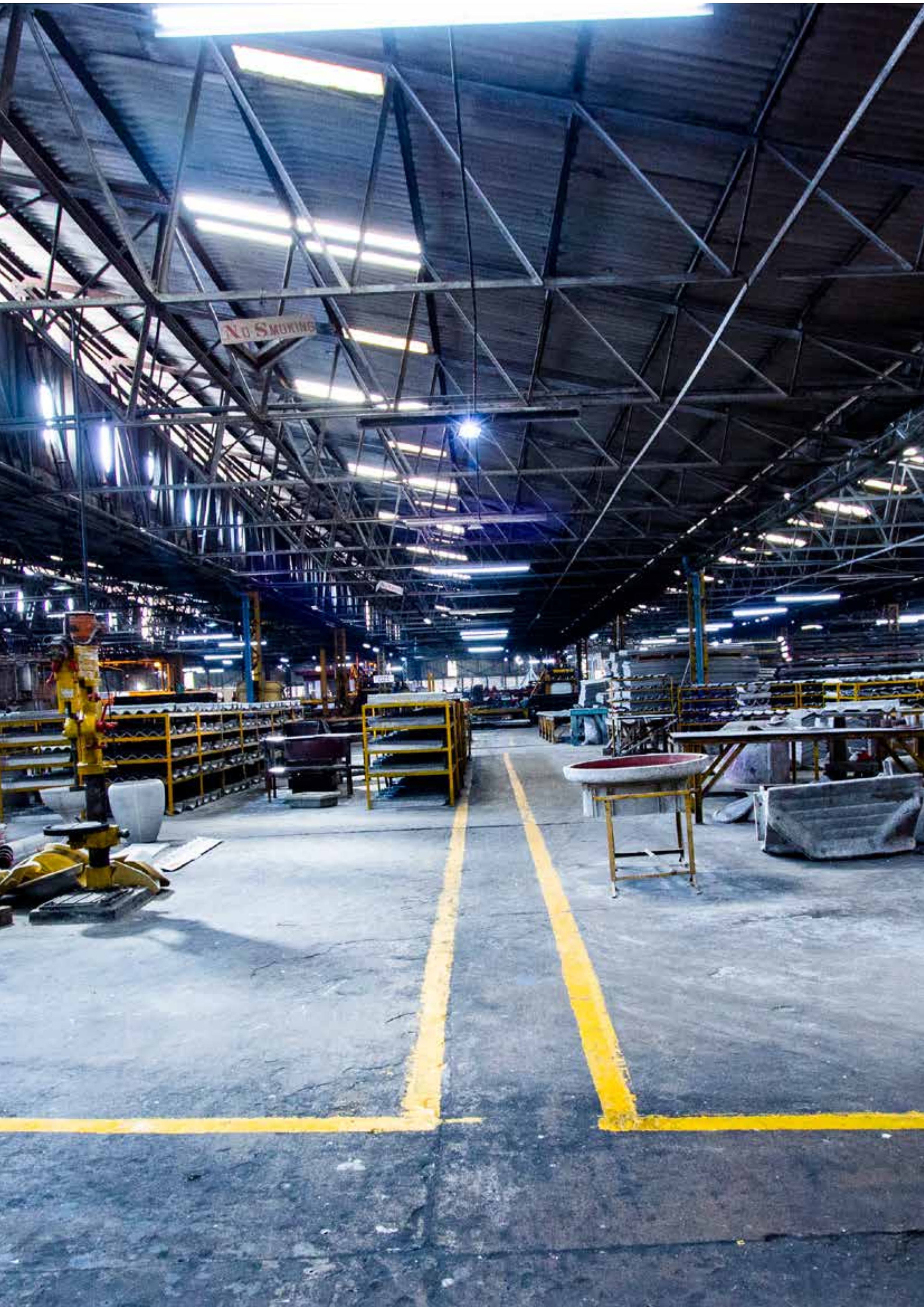
Direct Economic Value	2020 ZWL	2019 ZWL
Turnover	999 569 948	1 038 820 789
Profit from operating activities	103 030 839	128 819 030
Net cash generated from operating activities	157 511 658	187 060 528

Financial Support from Government

The Group acknowledges that, in some instances, Government may assist companies in distressed positions due to economic factors beyond their control. During 2020, the business did not receive any financial support from the Government.

National Pension Scheme

All employees are required by law to be members of the National Social Security Scheme, which is a defined contribution fund. Both the employees and the Group contribute. The Group's obligation under the scheme is limited to specific contributions legislated from time to time. The Group's contributions charged to profit or loss in the current year amounted to ZWL 1 756 730 (2019: ZWL1 842 333).


NO SMOKING

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of these 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 Company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these consolidated financial statements.

The consolidated financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

While full compliance with International Financial Reporting Standards has been possible in previous periods, only partial compliance has been achieved for the year ended 31 December 2020. This is because for the period 1 October 2018 to 22 February 2019 it was not possible to comply with the requirements of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange rates" thereby affecting the opening balances for the current period.

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

In the opinion of the Directors, the requirement to comply with Statutory Instrument (S.I) 33 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework. This has resulted in the the non-compliance with IFRS that emanates from the carry over impact of the inability to comply with IAS 21 in 2019 because of the issuance of Statutory Instrument 33 of 2019, which deviates from that which would have been applied if the Group had been able to fully comply with IFRS.

There are also limitations arising from the caveats placed by the professional valuers on the revaluation of property, plant and equipment that create inconsistencies with the fair value measurement requirements of IFRS 13, as well as with the principles embedded in the IFRS Conceptual Framework as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This has resulted in accounting treatment being adopted in the prior year 2019 consolidated financial statements, which is different from that which would have been adopted if the Group had been able to fully comply with IFRS. As such, the directors and management have been unable to produce consolidated financial statements which in their view would be true and fair and urge users of the consolidated financial statements to exercise due caution.

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

The Group's financial statements which are set out on pages 39 to 75 were, in accordance with their responsibilities, approved by the Board of Directors on 19 April 2021 and are signed on its behalf by:

B. Nyajeka
Board Chairman

Z. Bikwa
Managing Director

These consolidated financial statements were prepared under the supervision of:

S. Mavende, CA (Z)
Finance Director
Registered Public Accountant (PAAB No: 02946)

DIRECTORS' REPORT

The Directors hereby present their report, together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

Group Annual Results

Total profit attributable to shareholders was ZWL 167 676 835 (2019: ZWL 1 225 798 206) for the year ended 31 December 2020.

Going Concern

The Group has net current assets of ZWL 306 494 654 (2019: ZWL202 573 782) in inflation adjusted terms, indicating its ability to service short term debt when it falls due. The Group reported a profit for the third successive year. The Group has no exposure to foreign borrowings.

In order to consolidate and sustain the gains achieved the directors will continue with the following measures to ensure that the Group continues to operate in the foreseeable future;

a) The Group continues to implement cost control measures to improve the viability of the business;
b) The Group plans to replace the Harare plant with a new fibre cement plant and start manufacturing fibre cement products from Harare instead of Bulawayo.
c) The Group will focus on improving product offering to enhance competitiveness; and
e) The Group will continue to prepay for imported raw materials and spares to avoid significant exposure to foreign borrowings and related exchange losses.

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak (refer note 29 to the financial statements) has been considered as part of the Group's adoption of the going concern basis.

The Group has assessed the impact of COVID-19 on the following significant areas;

a) Extent of operational disruptions - the Group imports raw materials and spares from Europe and South Africa. The Group is exposed to the effects of lockdowns and restrictions of movement in the source countries. The Group did not face challenges with imports as the source countries remained open for business. The rollout of vaccines in those countries also reduces the risk of business disruptions caused by lockdowns. The Group has also expanded and developed local suppliers of spares to reduce reliance on imports.

b) Potential diminished demand of products and services. - the impact of the pandemic has not been severe in the Group's market which is mainly local and the Southern African region.

c) Employees – the company has put measures in place to reduce the impact on employees and this includes social distancing, hand sanitisers, working in shifts and working from home for back office staff.

d) Asset impairments and changes in the values of assets – there are no indications that the Group assets have been impaired as a result of the impact of COVID-19. A continuous assessment will be done by management.

e) Contractual obligations due or anticipated in one year – the Group does not have any short-term contractual obligations except creditors. The Board believes that the company can meet its obligations to creditors despite the disruption in operations.

The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, suppliers and employees and government interventions all of which are uncertain and cannot be predicted.

The financial statements have been prepared on a going concern basis as the Board believes that the Group will continue in operating existence for the foreseeable future.

Dividend

At a meeting held on 9 April 2021, in view of the Group's need to reinvest in the business, the Board of directors resolved not to declare a dividend for the year ended 31 December 2020.

Investment in Property, Plant and Equipment

Capital expenditure for the year amounted to ZWL118 010 672. An amount of ZWL114 462 871 was spent on plant and machinery, ZWL 1 234 155 on buildings, ZWL 5 266 on motor vehicles and ZWL 2 308 380 on office equipment and furniture.

DIRECTORS' REPORT (CONT'D)

Share Capital

At 31 December 2020, the authorised share capital comprised of 1 190 000 000 ordinary shares. Issued share capital comprised 493 040 308 ordinary shares. The details of authorised and issued share capital are set out in note 19 of the consolidated financial statements.

Directors and their Interests

No director had, during or at the end of the year, any material interest in any contract with the Group which could be considered significant in relation to the Group's business. Related party transactions and balances are disclosed in note 22 of the consolidated financial statements.

COMPANY SECRETARY CERTIFICATION

Samson Mavende
Company Secretary

I certify that, to the best of my knowledge and belief, the Group has lodged with the Registrar of Companies all such returns as are required to be lodged by a public entity in terms of the Companies and Other Business Entities Act (Chapter 24:31) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.

S. Mavende
Company Secretary

9 April 2021

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INDEPENDENT AUDITORS REPORT

To the members of Turnall Holdings Limited and its subsidiaries

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Turnall Holdings Limited and its subsidiaries ("the Group") set out on pages 37 to 74, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant group accounting policies.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the consolidated financial statements do not present fairly, in all material respects, the financial position of Turnall Holdings Limited and its subsidiaries as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. During the prior financial year up to 22 February 2019, the Group transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payments), including mobile money, bond notes and coins. In terms of IAS 21, these would be considered separate currencies requiring translation to the functional and presentation currency at appropriate exchange rates.

In order to comply with SI 33/2019, the RTGS transactions for period 1 January 2019 to 22 February 2019 were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Group changed the functional currency on 22 February 2019 in compliance with legislation. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 31 December 2020, the foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the consolidated financial statements for the year ended 31 December 2020.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Group's inability to comply with IAS 21 has been determined as significant. The effects on the consolidated financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

The Directors have applied the IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019 to 31 December 2020. However, its application was based on prior and current year's consolidated financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated financial statements.

Fair value determination for assets, transactions and liabilities
The determination of fair values for assets, transactions and liabilities presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

Emphasis of Matter
We draw attention to Note 28 of these financial statements which describe the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group's operations. Our opinion is not modified in respect of this matter.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition IFRS 15 was applied on revenue recognition. • There is a presumed fraud risk with regards revenue recognition as guided by International Standard on Auditing (ISA 240 Revised). There is a risk that the revenue is presented at amounts higher than what has been actually generated by the Group. This is a significant risk and accordingly a key audit matter.	Our audit procedures incorporated a combination of tests of the Group's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following: • Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Performed cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Tested design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • Identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the revenue recognition is appropriate.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Other information

The Directors are responsible for the other information. The other information comprises the 'Corporate information', 'Directors' responsibility for financial reporting', 'historical cost information' and 'Company statements', which we obtained prior to the date of this auditor's report, and the other reports which are expected to be made available to us after that date.

The other information does not include the 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 Directors for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and for such internal control as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Directors are 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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.

Report on Other Legal and Regulatory Requirements
In our opinion, except for the effects of the matters described in the Basis of Adverse Opinion section of our audit report, the financial statements have been properly prepared, in all material respects, in accordance with the accounting policies and comply with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31).

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

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditor

HARARE

9 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2020

		Inflation adjusted		Historical cost	
	Notes	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
Revenue	6	999 569 948	1 038 820 789	718 334 536	102 359 893
Cost of sales	7	(669 372 170)	(698 164 357)	(437 528 438)	(55 854 682)
Gross profit		**330 197 778**	**340 656 432**	**280 806 098**	**46 505 211**
Other income	8	35 653 832	68 652 144	19 327 278	3 877 259
Selling and distribution expenses	9.1	(115 397 512)	(108 892 786)	(83 178 122)	(11 913 378)
Administrative expenses	9.2	(147 423 259)	(171 596 760)	(102 585 083)	(16 489 714)
Profit from operating activities		**103 030 839**	**128 819 030**	**114 370 171**	**21 979 378**
Finance costs	10	(3 533 490)	(8 247 630)	(2 441 506)	(561 343)
Gain on net monetary position		114 198 811	325 108 173	-	-
Profit before taxation		**213 696 160**	**445 679 573**	**111 928 665**	**21 418 035**
Income tax expense	11.1	(49 180 239)	(11 679 613)	(33 050 202)	(3 872 766)
Profit for the year		164 515 921	433 999 960	78 878 463	17 545 269
Other comprehensive income - net of tax					
Revaluation of property, plant and equipment		-	795 265 480	-	286 373 064
Currency translation differences		3 160 914	(3 467 234)	704 611	(712 546)
Total comprehensive income for the year		**167 676 835**	**1 225 798 206**	**79 583 074**	**303 205 787**
Earnings per share					
Number of shares in issue		493 040 308	493 040 308	493 040 308	493 040 308
Basic and diluted earnings (ZWL cents per share)		33	88	16	4

Consolidated Statement of Financial Position

as at 31 December 2020

		Inflation Adjusted		Historical cost	
	Notes	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
ASSETS					
Non-current assets					
Property, plant and equipment	13	1 821 564 348	1 799 350 819	396 250 456	401 099 984
Investment property	14	12 051 476	12 107 704	255 802	262 439
Investments in financial assets	15	433 207	1 869 522	433 207	416 742
Deferred taxation	11.3	6 575 794	6 355 903	6 575 794	1 416 818
Total non-current assets		1 840 624 825	1 819 683 948	403 515 259	403 195 983
Current assets					
Inventories	17	397 862 111	242 130 529	158 782 338	30 574 661
Trade and other receivables	16	125 353 415	103 518 079	124 162 902	15 195 936
Cash and cash equivalents	18	20 005 853	10 827 939	20 005 853	2 413 695
Total current assets		543 221 379	356 476 547	302 951 093	48 184 292
Total assets		**2 383 846 204**	**2 176 160 495**	**706 466 352**	**451 380 275**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19.2	190 332 016	190 332 016	4 930 403	4 930 403
Share premium		7 022 330	7 022 330	181 908	181 908
Non-distributable reserve	19.4	295 520 888	295 520 888	7 655 239	7 655 239
Revaluation reserve	19.5	795 265 480	795 265 480	290 970 873	290 970 873
Foreign currency translation reserve	19.6	-	(3 160 914)	-	(704 611)
Retained earnings		405 341 308	240 825 387	86 769 160	7 890 697
Total equity		1 693 482 022	1 525 805 187	390 507 583	310 924 509
Non-current liabilities					
Deferred taxation	11.3	450 273 281	442 876 127	95 420 026	99 167 606
Loans and borrowings	20.2	-	18 571 449	-	4 139 831
Trade and other payables	21.1	3 364 176	35 004 937	3 364 176	7 803 081
Total non-current liabilities		453 637 457	496 452 513	98 784 202	111 110 518
Current liabilities					
Loans and borrowings	20.1	3 139 841	4 710 966	3 139 841	1 050 139
Trade and other payables	21.1	189 934 591	140 755 149	170 382 433	26 414 457
Current tax liabilities		41 892 401	8 436 680	41 892 401	1 880 652
Bank overdraft	18	1 759 892	-	1 759 892	-
Total current liabilities		236 726 725	153 902 795	217 174 567	29 345 248
Total equity and liabilities		**2 383 846 204**	**2 176 160 495**	**706 466 352**	**451 380 275**

B. Nyajeka
Board Chairman

Z. Bikwa
Managing Director

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2020

	Group						
	Share Capital ZWL	Share Premium ZWL	Non Distributable reserves ZWL	Revaluation reserves ZWL	Foreign currency translation reserve ZWL	Retained earnings ZWL	Total ZWL
Inflation adjusted							
Balance at 1 January 2019	**190 332 016**	**7 022 330**	**295 520 888**	**-**	**306 321**	**(193 174 573)**	**300 006 981**
Total comprehensive income for the year	-	-	-	795 265 480	(3 467 234)	433 999 960	1 225 798 206
Balance at 31 December 2019	**190 332 016**	**7 022 330**	**295 520 888**	**795 265 480**	**(3 160 914)**	**240 825 387**	**1 525 805 187**
Total comprehensive income for the year	-	-	-	-	3 160 914	164 515 921	167 676 835
Balance at 31 December 2020	**190 332 016**	**7 022 330**	**295 520 888**	**795 265 480**	**-**	**405 341 308**	**1 693 482 022**
Historical cost							
Balance at 1 January 2019	**4 930 403**	**181 908**	**7 655 239**	**4 597 809**	**7 935**	**(9 654 572)**	**7 718 722**
Total comprehensive income for the year	-	-	-	286 373 064	(712 546)	17 545 269	303 205 787
Balance at 31 December 2019	**4 930 403**	**181 908**	**7 655 239**	**290 970 873**	**(704 611)**	**7 890 697**	**310 924 509**
Total comprehensive income for the year	-	-	-	-	704 611	78 878 463	79 583 074
Balance at 31 December 2020	**4 930 403**	**181 908**	**7 655 239**	**290 970 873**	**-**	**86 769 160**	**390 507 583**

Consolidated Statement Of Cash Flows

for the year ended 31 December 2020

	Notes	Inflation adjusted Group 2020 ZWL	Inflation adjusted Group 2019 ZWL	Historical cost Group 2020 ZWL	Historical cost Group 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		**213 696 160**	**445 679 573**	**111 928 665**	**21 418 035**
Adjustment for:					
Depreciation of property, plant and equipment	13	95 717 701	50 128 920	19 587 724	1 299 084
Depreciation of investment property	14	56 229	252 242	6 637	6 641
Amortisation of financial assets	15	(16 465)	(76 878)	(16 465)	(17 512)
Finance costs		3 533 490	8 247 630	2 441 506	561 343
Currency translation differences		3 160 914	(3 467 234)	704 611	(712 546)
Profit from disposal of property, plant and equipment		(60 888)	(1 237 814)	(35 561)	(289 639)
Adjustment of movement in non monetary items		3 884 959	(794 684)	-	-
Operating cash flows before working capital changes		319 972 099	498 731 756	134 617 117	22 265 406
Decrease/(increase) in trade and other receivables		1 995 900	32 376 916	(108 966 966)	(10 991 462)
Increase in inventories		(155 731 582)	(56 245 727)	(128 207 677)	(23 903 992)
(Decrease)/increase in trade and other payables		(8 724 732)	(287 802 417)	139 529 071	18 047 246
Net cash generated from operating activities		157 511 685	187 060 528	36 971 545	5 417 198
Tax paid		(8 547 256)	(76 296)	(1 945 003)	(10 808)
Interest paid		(3 533 490)	(8 247 630)	(2 441 506)	(561 343)
Net cash flows generated from operating activities		145 430 939	178 736 601	32 585 036	4 845 047
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	13	(118 010 672)	(26 277 775)	(14 784 593)	(2 014 045)
Proceeds from sale of property, plant and equipment		140 330	1 555 160	81 952	346 667
Net cash flows used in investing activities		(117 870 342)	(24 722 615)	(14 702 641)	(1 667 378)
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in loans and borrowings		(20 142 574)	(148 333 774)	(2 050 129)	(968 655)
Net cash flows used in financing activities		(20 142 574)	(148 333 774)	(2 050 129)	(968 655)
Net increase in cash and cash equivalents		7 418 022	5 680 212	15 832 266	2 209 014
Cash and cash equivalents at beginning of year		10 827 939	5 147 727	2 413 695	204 681
Cash and cash equivalents at end of year	**18**	**18 245 961**	**10 827 939**	**18 245 961**	**2 413 695**

GROUP STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 December 2020

1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

Turnall Holdings Limited ("the Company") is a limited company incorporated in Zimbabwe. It is the parent and ultimate holding company of Turnall Holdings Limited group ("the Group"). It's ultimate controlling party is the National Social Security Authority. The address of its registered office and principal place of business are disclosed on the second page of the report in which these consolidated financial statements are contained. The principal activities of the Company and its subsidiaries are set out in Note 4 to the consolidated financial statements.

The Board of Directors approved these consolidated financial statements for issue on 9 April 2021.

INCORPORATION AND ACTIVITIES

The Group was incorporated as Penhalonga Exploration (Private) Limited on 16 August 1962. On 14 October 1970, Penhalonga Exploration (Private) Limited changed its name to Penhalonga Development Company (Private) Limited, which was again changed on 29 March 1976 to PDC (Private) Limited, and then to Turnall Holdings Limited on 31 October 2002. Its main business involves the production of building and construction materials comprising corrugated sheeting, flat sheets, pan tiles, pressure pipes, sewer pipes, concrete roofing tiles and related accessories.

1.1 Statement of compliance

1.1.1 Compliance with legislation

These consolidated financial statements, which have been prepared after restating underlying amounts prepared under the historical cost convention (except for fair value and amortized cost measurement where applicable), are in agreement with the underlying books and records, which have been properly prepared in accordance with the accounting policies set out in Note 2, and comply with the disclosure requirements of the Companies and other Businesses Entities Act (Chapter 24:31), the Companies (Financial Statements) Regulations, 1996 and the applicable Zimbabwe Stock Exchange Listing Requirements.

1.1.2 Compliance with IFRSs

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the effects of non-compliance with International Accounting Standard 21 (IAS 21) and International Accounting Standard 29 (IAS 29).

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 Basis of preparation

The financial statements are presented in Zimbabwe dollars. They are based on historical cost approach and restated to take account of effects of inflation in accordance with International Accounting Standard 29 (Financial Reporting in Hyperinflationary Economies) – IAS 29. Accordingly, the inflation adjusted financial statements represent the principal financial statements of the Group. The historical financial statements have been provided by way of supplementary information and the auditors have not expressed an opinion on them.

For reporting periods ending on or after 1 July 2019, the economy in Zimbabwe is a hyperinflationary economy. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and the corresponding figures for previous period also be restated in terms of the same measuring unit. Although IAS 29 discourages the presentation of historical financial statements when inflation adjusted financial statements are presented, historical financial statements are included to allow comparability.

In accordance with IAS 29, the financial statements and the corresponding figures for previous period have been restated to take account of the changes in general purchasing power of the Zimbabwe dollar and as a result are stated in terms of the measuring unit current at balance sheet date – 31 December 2020. The restatement is based on conversion factors derived from the Zimbabwe Consumer Price Index (CPI) compiled by the Zimbabwe Central Statistical Office.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

2 BASIS OF PREPARATION AND MEASUREMENT (cont'd)

2.1 Basis of preparation (cont'd)

The main procedures applied in the restatement of transactions and balances are as follows:

- All corresponding figures as of, and for the prior period year ended, are restated by applying the change in the index from the end of the prior year to the end of the current year;
- Monetary assets and liabilities, are not restated because they are already stated in terms of the measuring unit current at balance sheet date;
- Non-monetary assets and liabilities, and components of shareholders equity/ funds, are restated by applying the change in index from date/month of transaction or, if applicable, from the date of their most recent revaluation to the balance sheet date;
- Property, plant and equipment and intangible assets are restated by applying the change in the index from the date of transaction, or if applicable from the date of their most recent / last revaluation, to the balance sheet date. Depreciation and amortization amounts are based on the restated amounts;
- Profit and loss statement items / transactions, except depreciation and amortization charges as explained above, are restated by applying the change in the average change in index during the period to balance sheet date;
- Gains and losses arising from net monetary asset or liability positions are included in the profit and loss statement; and
- All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

The following CPI indices were used to prepare the financial statements:

Dates	CPI Indices	Conversion factors
Dec-20	2474.5	1
Dec-19	551.6	4.486
Dec-18	88.8	27.866
Oct-18	74.6	33.17

2.2 Basis of measurement

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services at the transaction date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and Company take into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability at measurement date. Fair value for measurement and/or disclosure in these consolidated financial statements is determined on such a basis except for measurements that have similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. 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 can use its power to affect its returns.

The Group financial statements have been prepared on the going concern basis which the directors believe to be appropriate.

<u>IAS - Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material</u>

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 New and amendments to IFRSs that are mandatorily effective for the current year

IFRS 3 Business Combinations: Definition of Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input, and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

3.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Insurance Contracts[1]
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
2 Effective for annual periods beginning on or after a date to be determined.

3.2.1 IFRS 17 Insurances Contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it considers market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)
for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2.1 IFRS 17 Insurances Contracts (cont'd)
The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.

3.2.2 IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that 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. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

3.3 Revenue
The Group recognises revenue from the sale of goods to distributors and retailers. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group sells product both to the wholesale market and directly to customers through its own retail outlets. For sales of product to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Group's standard contract terms, customers have a right of return if product is defective and has been inspected. Returns are adjusted for when they are returned to the Group's premises and a corresponding adjustment is made to cost of sales. At the same time, the Group has a right to recover the product when customers exercise their right of return. Consequently, the Group recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

3.4 Basis of consolidation Subsidiaries
Subsidiaries are those enterprises controlled by the Company. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affects those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in Group Ownership interests in existing subsidiaries
Changes in the Groups' ownership interests in subsidiaries that do not result in the entity losing control over the subsidiaries are accounted for as equity transactions.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plant and equipment

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and impairment losses, then subsequently using the revaluation model less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the anticipated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as components, of an item of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of an item of property, plant and equipment, and are recognised within other income in profit or loss.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Items of property, plant and equipment are revalued at least once every three years or earlier if it becomes apparent that their carrying amounts differ from their recoverable amount to a material extent.

Gross carrying amounts of plant and equipment are determined by revaluation on a net replacement basis and for property on a market value basis. Revaluation surpluses are realised on disposal of the assets.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The depreciation rates are shown below:

Industrial buildings	2.50%	per annum
Plant and machinery	7.5- 20%	per annum
Furniture, fittings and office equipment	10- 20%	per annum
Motor vehicles	20- 25%	per annum

Land and capital work in progress are not depreciated.

The residual values, depreciation method and useful lives are reassessed annually.

Expenditure on additions and improvements to property, plant and equipment is capitalised for major projects based on measured work completed and qualifying for recognition.

3.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, nor use in the production or supply of goods or services nor for administrative purposes. Investment property is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Impairment of assets Financial assets

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without considering any collateral held by the Group). Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment is recognised if the carrying amount of the non-financial asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairments are recognised in profit or loss. Impairments recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. An impairment loss on revalued item of property, plant and equipment is created as a revaluation decrease.

3.8 Taxation

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss unless it relates to an item recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from:

- Goodwill
- The initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Taxation (cont'd)

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated based on the tax rates that are expected to apply to the period when the asset or liability is settled based on the rates that are enacted or substantively enacted. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items charged or credited directly in other comprehensive income or in equity.

Withholding tax

Withholding tax is a tax on interest earned by the business at the bank. This tax is withheld on behalf of the revenue authorities at source. Amounts withheld are recognised as part of the Group's tax charge recognised directly in profit or loss.

Where withholding tax is withheld on interest received, the interest is recognised at the gross amount with the related withholding tax recognised as part of the income tax expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.1 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to

3.11 Foreign currencies

Foreign currency transactions (which are in currencies other than the functional currency), on initial recognition, are translated at the exchange rates ruling on the date of the transaction. Subsequent to that, all foreign currency denominated financial assets and liabilities are translated at each reporting date, using the exchange rates ruling at that date. Accordingly, foreign currency denominated income and expenses are recorded at exchange rates ruling on the date of the transaction.
Exchange differences are recognised in profit or loss in the period in which they arise.

3.12 Financial instruments

3.12.1 Classification and measurement of financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet it becomes a party to the contractual provisions of the instrument.

Recognised 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss. If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).
- After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12.2 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are classified into the following specified categories:
- Fair value through profit and loss (FVTPL);
- Fair value through other comprehensive income (FVOCI), or
- Amortised cost (AMCO)

Financial assets at FVTPL

Financial assets at FVTPL are:
- assets with contractual cash flows that are not Solely Payments of Principal and Interest (SPPI); or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option

Financial assets 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 evaluated on a fair value basis, in accordance with the Group's risk management 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 measured at fair value, with any resultant gain or loss recognised in profit or loss. Interest income from these financial assets is included in interest and related income using the effective interest rate method.

Financial assets at FVOCI

The Group applies the new category under IFRS (of debt instruments measured at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the solely payments of principal and interest (SPPI) test. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective

Financial assets at amortised cost

This includes amounts due from banks, loans and other receivables, bills of exchange and debentures with fixed or determinable payments and fixed maturity debts that the Group has the positive intent and ability to hold to maturity. Investments are recorded using the effective interest method less any impairments with revenue being recognised on an effective yield basis.

The Group only measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and de-recognition of financial assets.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12.2 Financial assets (cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other income' line
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss either in 'net trading income', if the asset is held for
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve.

Impairment of financial assets

The Group recognises loss allowances for Expected Credit Loss (ECLs) on the financial instruments that are not measured at FVTPL:

No impairment loss is recognised on equity investments.

The measurement of ECL reflects:

- An unbiased and probability - weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above processes and changes in credit risk since initial recognition, the financial assets migrate through the three stages.

Modification and de-recognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Write Off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (in either its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a de-recognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

3.12.3 Financial liabilities and equity instruments

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments. Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

Equity instruments

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

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12.3 Financial liabilities and equity instruments (cont'd)

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

Financial liabilities at FVTPL

Either financial liabilities are classified as at 'FVTPL' where the financial liability is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future, or
- It is part of an identified portfolio of 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 or contingent consideration that may be paid by an acquirer as part of a business combination 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 IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities 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 EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

3.12.4 Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Pension costs

The Group contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.15 Leases

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.
All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of that qualifying assets. These comprise borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment income earned on the temporary reinvestment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Segment reporting

The Group have three reportable segments, as described below. The segments offer different products but are however managed by the one central team as they require similar technology, processes and marketing strategies. For each of the segments, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least monthly. The following summary describes the operations in each of the Group's reportable segments:

- Building products - production of roofing sheets, flat sheets and moulded goods.
- Piping products - production of water and sewer reticulation pipes.
- Concrete tiles - production of concrete roofing products.

There is a minimal level of integration between the reportable segments that includes transfers of raw materials and shared distribution services, respectively.

Performance is measured based on segment gross profit before tax, as included in the internal management reports that are reviewed by the Group Managing Director. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following:

4.1 Valuation of property, plant and equipment

The Group reviews their estimates for residual values, useful lives and methods of depreciation of all property, plant and equipment annually. Residual values of each asset have been assessed by reviewing the fair value of the assets after considering age, usage and obsolescence. In determining recoverable amount of the assets, expected cash flows are discounted to their present values. In determining useful lives, directors consider technology changes, local operating environment and the use of each asset.

The directors also apply significant judgment', estimates and assumptions on carrying out the revaluation of property, plant and equipment in line with the policy on revaluation. The directors engage a professional valuer to perform an independent valuation.

In the current year, due to the distortions in the property market and lack of market trends, the valuers have provided a caveat around the use of the valuation.

4.2 Impairment of trade and other receivables

The Group recognises a loss allowance for expected credit losses on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

4.2 Impairment of trade and other receivables (cont'd)

The Group measures the loss allowance for trade and other receivables at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

4.3 Deferred tax assumptions on profits

Deferred tax assets should be recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. When an entity has tax losses, the entity recognises deferred tax assets only to the extent that the entity has sufficient taxable temporary differences, or there is convincing other evidence that sufficient taxable profit will be available.

Deferred tax assets should be recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised. When an entity has tax losses, the entity recognises a deferred tax asset.

4.4 Contingent assets and liabilities

The Group have a number of contingent assets and liabilities that have been disclosed.

While the contingent liabilities are not recognised in the financial statements in line with the requirements of IFRSs, the directors and management exercise key judgments, in consultation with legal counsel, in evaluating and concluding;

- the extent to which the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or Company; and
- that it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation; or
- that the amount of the obligation cannot be measured with sufficient reliability.

The existence of the contingent assets are dependent on the occurrence or non-occurrence of one or more uncertain future events not within the control of the Group or Company.

A change in the directors' and management judgements regarding contingent liabilities, or in the outcomes of future events impacting contingent liabilities, could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.5 Presentation and Functional currency

These inflation adjusted financial results are presented in Zimbabwe Dollars (ZWL) which is the Group functional and presentation currency. The Group had been using the United States Dollar (US$) as its functional and reporting currency since 2009 till 2018.

In 2016 the monetary authorities introduced the Bond note which was at par with the US$. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD as well as other currencies in the multi-currency regime.

On June 24, 2019 the government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that local transactions be done in local currency (ZWL). The Group followed the legal instruments and changed the functional currency on the 22nd of February 2019. The requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework.

This has resulted in the adoption of accounting treatment in the current year's Group's financial statements which is at variance from that which would have been applied if the Group had been able to fully comply with IFRS. The Group adopted the exchange rate of 1:1 between the US$ and ZWL for the period 1 October 2018 to 23 February 2019 and thereafter adopted the interbank exchange rates.

GROUP STATEMENT OF ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2020

4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

4.6 Significant increase in credit risk

Expected credit losses are measured as an allowance equal to 12-month expected credit losses for stage 1 assets, or lifetime expected credit losses for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group considers qualitative and quantitative reasonable and supportable forward-looking information.

4.7 Calculation of loss allowance

When measuring expected credit losses, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.8 IFRIC 23- Uncertain tax positions

The Group has assessed its legacy ZIMRA debt in line with the provisions for IFRIC 23. The Group has determined the accounting for this debt based on the most likely outcome and amount as supported by its correspondence with the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

		Inflation adjusted		Historical cost	
		Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
6	**REVENUE**				
	Sale of goods -local sales	980 746 589	991 756 179	707 611 475	96 974 980
	-exports	18 823 359	47 064 610	10 723 061	5 384 913
		999 569 948	1 038 820 789	718 334 536	102 359 893
	Export sales were to Botswana, South Africa, Mozambique and Zambia.				
7	**COST OF SALES**				
	Canteens	13 374 086	11 843 034	9 527 171	1 283 039
	Depreciation of property, plant and equipment	90 760 810	41 856 617	18 515 510	1 092 201
	Electricity and water	24 174 328	21 781 155	16 720 208	3 075 702
	Maintenance	53 756 304	59 633 919	37 374 542	6 280 519
	Raw materials	389 484 928	468 339 674	282 745 976	34 729 136
	Employee benefits	69 652 606	65 245 161	52 693 151	6 499 807
	Contracted maintenance services	8 318 138	12 026 266	5 994 991	1 235 777
	Professional services	1 883 534	979 475	1 465 227	81 303
	Plant and equipment hire	103 420	1 398 925	99 978	115 491
	Warehouse costs	-	13 309	-	928
	Consumables	2 510 219	2 865 864	1 381 623	265 268
	Other	15 353 799	12 180 959	11 010 060	1 195 510
		669 372 170	698 164 357	437 528 438	55 854 682
8	**OTHER INCOME**				
	Rental income	4 163 845	820 334	480 175	82 529
	Exports incentive	-	3 834	-	152
	Profit on disposal of property, plant and equipment	60 888	1 237 814	35 561	289 639
	Scrap sales	1 490 506	201 755	1 332 884	8 848
	Fair value gain on financial assets	-	200 639	-	17 512
	Sundry income	607 790	3 063 244	398 324	352 378
	Pallet sales	5 290 076	785 512	4 053 944	335 672
	Exchange gain	24 040 726	20 403 941	13 026 389	1 021 274
	Statutory interest and penalties waiver	-	41 935 072	-	1 769 255
		35 653 832	68 652 144	19 327 278	3 877 259
9	**OPERATING EXPENSES**				
9.1	Selling and distribution expenses				
	Depreciation of property, plant and equipment	1 665 869	1 541 865	339 843	40 233
	Employee benefits	16 494 251	13 671 608	12 249 005	1 398 250
	Transport costs	75 474 952	65 314 051	54 047 246	7 478 489
	Light motor vehicle running costs	4 607 517	5 375 800	2 956 127	581 914
	Sales promotion	3 367 374	5 067 338	2 267 105	613 956
	Other	13 787 549	17 922 124	11 318 797	1 800 535
		115 397 512	108 892 786	83 178 122	11 913 378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

		Inflation adjusted		Historical cost	
		Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
9.2	Administrative expenses				
	Auditors' remuneration - external audit	8 401 742	8 767 183	5 839 514	1 115 551
	Depreciation of property, plant and equipment	3 347 250	6 730 438	726 719	36 074
	Depreciation of investment property	56 229	252 242	3 320	3 320
	Directors remuneration - non executive	690 291	8 164 931	498 758	537 760
	- executive	4 225 956	3 052 014	3 164 395	264 902
	Impairment/(reversal) of trade and other receivables	3 627 631	(15 773 904)	3 627 631	(4 486 744)
	Impairment of property ,plant and equipment	-	(274 108)	-	(19 408)
	Bank charges	5 162 857	7 331 681	3 506 629	560 629
	Employee costs	18 021 108	18 748 086	13 918 794	1 627 254
	Interest on pension liabilities	-	1 142 978	-	68 789
	Retrenchment costs	5 923 985	15 233 296	5 619 375	1 062 545
	Legal fees	1 414 645	732 447	920 590	88 210
	Light motor vehicle running costs	5 755 625	5 312 190	3 627 132	590 088
	Professional fees	7 093 845	3 457 698	4 837 987	384 342
	Interest and penalties on legacy statutory liabilities	2 798 887	6 000 633	369 159	361 140
	Staff welfare	22 295 505	11 731 271	13 973 976	1 654 396
	Intermediated Money Transfer Tax (IMT)	15 498 049	13 549 434	10 202 559	1 607 233
	Telephone and communication	10 471 785	6 045 495	7 689 711	788 559
	Risk control expenses	8 663 010	5 083 795	6 623 908	462 899
	Conferences and training	2 057 048	2 536 115	1 765 848	404 395
	Travel	1 204 957	2 515 735	765 223	285 492
	Licences	2 423 741	2 220 058	1 956 251	312 433
	Other	118 289 111	27 489 246	12 947 605	3 904 678
		147 423 259	171 596 760	102 585 083	16 489 714
10	**FINANCE COSTS**				
	Interest expense	3 533 490	8 247 630	2 441 506	561 343
11	**TAXATION**				
11.1	Income tax expense				
	Current tax	41 882 422	19 086 187	41 882 423	1 880 652
	Deferred tax	7 177 263	(7 516 258)	(8 906 556)	1 981 306
	Withholding tax	120 554	109 684	74 335	10 808
		49 180 239	11 679 613	33 050 202	3 872 766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

		Inflation adjusted		Historical cost	
		Group 2020 %	Group 2019 %	Group 2020 %	Group 2019 %
11.2	Reconciliation of tax rate				
	Notional tax credit/(charge) based on (loss)/ profit for the year	(24.72%)	(25.75%)	(24.72%)	(25.75%)
	Non-deductible expenses:				
	Donations	(0.02%)	(0.05%)	(0.02%)	(0.07%)
	Subscriptions	(0.02%)	0.00%	0.02%	0.01%
	Intermediated Money Transfer Tax (IMTT)	(2.39%)	0.00%	(2.26%)	0.00%
	Legal expenses	0.00%	0.00%	0.00%	0.00%
	Other	4.14%	23.29%	(2.48%)	7.47%
	Tax benefits arising from:				
	Permanent differences	0.01%	0.07%	0.01%	0.35%
	Recoupment on disposals	0.00%	(0.02%)	0.00%	(0.04%)
	Withholding taxation	(0.01%)	(0.02%)	(0.07%)	(0.05%)
	Effective tax rate	(23.01%)	(2.48%)	(29.53%)	(18.08%)

11.3 Deferred taxation

GROUP	Inflation adjusted			
	Opening balance ZWL	Recognised in income ZWL	Recognised in other comprehensive income ZWL	Closing balance ZWL
Year ended 31 December 2020				
Deferred tax liability				
Property plant and equipment	442 876 127	7 397 154	-	450 273 281
Deferred tax asset				
Provisions	(6 355 903)	(219 891)	-	(6 575 794)
Net deferred tax (asset) / liability	436 520 224	7 177 263	-	443 697 487
Year ended 31 December 2019				
Deferred tax liability				
Property plant and equipment	199 736 378	(18 004 814)	261 144 563	442 876 127
Deferred tax asset				
Assessable tax losses	(5 230 208)	5 230 208	-	-
Provisions	(11 614 251)	5 258 348	-	(6 355 903)
	(16 844 459)	10 488 556	-	(6 355 903)
Net deferred tax (asset) / liability	**182 891 919**	**(7 516 258)**	**261 144 563**	**436 520 224**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

11 TAXATION (continued)

11.3 Deferred taxation

GROUP

Historical cost

	Opening balance ZWL	Recognised in income ZWL	Recognised in other comprehensive income ZWL	Closing balance ZWL
Year ended 31 December 2020				
Deferred tax liability				
Property plant and equipment	99 167 606	(3 747 580)	-	95 420 026
Deferred tax asset				
Provisions	(1 416 818)	(5 158 976)	-	(6 575 794)
Net deferred tax (asset) / liability	97 750 788	(8 906 556)	-	88 844 232
Year ended 31 December 2019				
Deferred tax liability				
Property plant and equipment	5 486 854	(356 737)	94 037 489	99 167 606
Deferred tax asset				
Assessable tax losses	(1 165 885)	1 165 885	-	-
Provisions	(2 588 976)	1 172 158	-	(1 416 818)
	(3 754 861)	2 338 043	-	(1 416 818)
Net deferred tax (asset) / liability	1 731 993	1 981 306	94 037 489	97 750 788

12 EARNINGS PER SHARE

12.1 Inflation Adjusted - Group

Basic and diluted earnings per share have been calculated based on a profit for the year of ZWL 164 515 921 (2019: ZWL 433 999 960) and 493 040 308 (2019: 493 040 308) shares in issue for the year ended 31 December 2020.

12.2 Historical cost - Group

Basic and diluted earnings per share have been calculated based on a profit for the year of ZWL 78 878 463 (2019: ZWL 17 545 269) and 493 040 308 (2019: 493 040 308) shares in issue for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

13 PROPERTY, PLANT AND EQUIPMENT

GROUP

Inflation adjusted

	Land ZWL	Buildings ZWL	Plant and machinery ZWL	Motor vehicles ZWL	Furniture and fittings ZWL	Office Equipments ZWL	Total ZWL
Year ended 31 December 2019							
Carrying amount as at 1 January 2019	39 182 800	279 090 594	422 021 958	7 736 082	7 885 398	11 192 437	767 109 268
Additions	-	1 020 643	20 353 719	2 122 579	1 370 603	1 410 231	26 277 775
Disposals	-	-	-	(423 128)	-	-	(423 128)
Charge for the year	-	(7 181 685)	(35 744 525)	(3 109 339)	(1 013 216)	(3 080 155)	(50 128 920)
Depreciation on disposals	-	-	-	105 782	-	-	105 782
Revaluation increase/(decrease)	42 830 993	637 633 516	370 343 351	2 883 497	(214 419)	2 933 103	1 056 410 041
Carrying amount as at 31 December 2019	82 013 793	910 563 068	776 974 503	9 315 473	8 028 366	12 455 616	1 799 350 819
As at 31 December 2019							
Cost/ revaluation	82 013 793	910 563 068	776 974 503	9 315 473	8 028 366	12 455 616	1 799 350 819
Accumulated depreciation	-	-	-	-	-	-	-
Carrying amount as at 31 December 2019	82 013 793	910 563 068	776 974 503	9 315 473	8 028 366	12 455 616	1 799 350 819
Year ended 31 December 2020							
Carrying amount as at 1 January 2020	82 013 793	910 563 068	776 974 503	9 315 473	8 028 366	12 455 616	1 799 350 819
Additions	-	1 234 155	114 462 871	5 266	208 551	2 099 829	118 010 672
Disposals	-	-	-	(89 030)	-	-	(89 030)
Charge for the year	-	(22 794 930)	(66 857 803)	(2 330 183)	(823 692)	(2 911 093)	(95 717 701)
Depreciation on disposals	-	-	-	9 588	-	-	9 588
Carrying amount as at 31 December 2020	82 013 793	889 002 293	824 579 571	6 911 114	7 413 225	11 644 352	1 821 564 348
As at 31 December 2020							
Cost/ revaluation	82 013 793	911 797 223	891 437 374	9 231 709	8 236 917	14 555 445	1 917 272 461
Accumulated depreciation	-	(22 794 930)	(66 857 803)	(2 320 595)	(823 692)	(2 911 093)	(95 708 113)
Carrying amount as at 31 December 2020	82 013 793	889 002 293	824 579 571	6 911 114	7 413 225	11 644 352	1 821 564 348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP

Historical cost

	Land ZWL	Buildings ZWL	Plant and machinery ZWL	Motor vehicles ZWL	Furniture and fittings ZWL	Office Equipments ZWL	Total ZWL
Year ended 31 December 2019							
Carrying amount as at 1 January 2019	1 015 000	7 229 544	11 000 001	245 188	204 413	337 353	20 031 499
Additions	-	83 080	1 379 861	345 600	101 257	104 247	2 014 045
Disposals	-	-	-	(94 322)	-	-	(94 322)
Charge for the year	-	(186 352)	(939 149)	(62 913)	(26 438)	(84 232)	(1 299 084)
Depreciation on disposals	-	-	-	37 294	-	-	37 294
Revaluation increase/(decrease)	17 267 000	195 850 725	161 757 563	1 605 698	1 510 402	2 419 164	380 410 552
Carrying amount as at 31 December 2019	18 282 000	202 976 997	173 198 276	2 076 545	1 789 634	2 776 532	401 099 984
As at 31 December 2019							
Cost/ revaluation	18 282 000	202 976 997	173 198 276	2 076 545	1 789 634	2 776 532	401 099 984
Accumulated depreciation	-	-	-	-	-	-	-
Carrying amount as at 31 December 2019	18 282 000	202 976 997	173 198 276	2 076 545	1 789 634	2 776 532	401 099 984
Year ended 31 December 2020							
Carrying amount as at 1 January 2020	18 282 000	202 976 997	173 198 276	2 076 545	1 789 634	2 776 532	401 099 984
Additions	-	-	14 298 492	1 200	87 403	397 498	14 784 593
Disposals	-	-	-	(51 997)	-	-	(51 997)
Charge for the year	-	(5 283 179)	(13 431 601)	(408 094)	(182 564)	(282 286)	(19 587 724)
Depreciation on disposals	-	-	-	5 600	-	-	5 600
Carrying amount as at 31 December 2020	18 282 000	197 693 818	174 065 167	1 623 254	1 694 473	2 891 744	396 250 456
As at 31 December 2020							
Cost/ revaluation	18 282 000	202 976 997	187 496 768	2 025 748	1 877 037	3 174 030	415 832 580
Accumulated depreciation	-	(5 283 179)	(13 431 601)	(402 494)	(182 564)	(282 286)	(19 582 124)
Carrying amount as at 31 December 2020	18 282 000	197 693 818	174 065 167	1 623 254	1 694 473	2 891 744	396 250 456

13.1 Assets held as collateral

All assets previously held as collateral by ZAMCO were released as the loan was cleared during the year.

13.2 Revaluation of property, plant and equipment

In line with the Group accounting policy and in order to comply with changes in functional and reporting currency, a revaluation was carried out as at 31 December 2019. The revaluation was carried out by Dawn Properties, an independent professional valuer and the basis of revaluation was as follows:

- Land and buildings
- Other asset categories
- Market value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

14 INVESTMENT PROPERTY

Investment property comprises of a building at number 4 Darwin Road, Workington, Harare. The rental is indexed to consumer prices. Subsequent renewals are negotiated with the lessee and, on average, the renewal period is 12 months. No contingent rentals are charged.

The fair value of the building as at 31 December 2020 was ZWL 23 327 200. This fair value is based on a revaluation carried out as at 31 December 2019 by an independent professional and qualified valuer who holds a recognised relevant professional qualification.

Included in other income (Note 8) is rental income of ZWL 4 008 096 (2019: ZWL 431 405) relating to this investment property.

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
Cost	12 612 192	12 612 192	326 709	326 709
Opening depreciation	(504 487)	(252 246)	(64 270)	(57 629)
Charge for the year	(56 229)	(252 242)	(6 637)	(6 641)
Balance at the end of year	12 051 476	12 107 704	255 802	262 439

15 INVESTMENTS IN FINANCIAL ASSETS

In 2016 the business received treasury bills with a face value of ZWL925 625, a coupon rate of 5% (receivable bi-annually) and a tenure of 14 years from a delinquent customer as full and final payment of the amount outstanding. In 2018 treasury bills with face value of ZWL92 563 were transferred to debt collectors as full and final payment of their collection commission at 10%. As at 31 December 2020, the Group held treasury bills with face value of ZWL 833 063.

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
Amortised cost at beginning of year	1 869 522	7 093 186	416 742	399 230
Monetary loss	(1 452 780)	(5 300 542)	-	-
Amortisation	16 465	76 878	16 465	17 512
Balance at the end of year	433 207	1 869 522	433 207	416 742

The treasury bills have been classified as financial assets and are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

16 TRADE AND OTHER RECEIVABLES

16.1 Analysis	Inflation adjusted Group 2020 ZWL	Inflation adjusted Group 2019 ZWL	Historical cost Group 2020 ZWL	Historical cost Group 2019 ZWL
Trade receivables	57 272 431	33 008 973	57 272 431	7 358 153
Allowance for credit losses	(7 173 881)	(11 320 164)	(7 173 881)	(2 523 420)
Net receivables	50 098 550	21 688 809	50 098 550	4 834 733
Prepayments	72 700 353	79 513 535	71 509 840	9 844 994
Other receivables	2 554 512	2 315 735	2 554 512	516 209
	125 353 415	103 518 079	124 162 902	15 195 936

Other receivables include ZWL 368 244 (2018: ZWL1 653 416) relating to loans to former Executive directors.

The average credit period on sale of goods is 14 days. No interest is charged on trade receivables. The Group has recognized an allowance for doubtful debts against all receivables over 120 days except where there are payment plans which are being adhered to by the customers.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100 per cent against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period given that the Group has moved to a predominantly prepayment basis with a 14-day credit exception for selected customers.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

16 TRADE AND OTHER RECEIVABLES (cont'd)

16.1 Impairment losses on trade receivables

	Total ZWL	Not past due ZWL	Past due 31-60 days ZWL	Past due 6 -120 days ZWL	More than 120 days ZWL
Inflation adjusted					
31 December 2020					
Expected loss rate		9%	9%	9%	100%
Gross trade receivables	57 272 431	39 117 326	13 521 163	1 192 957	3 440 985
Allowance for credit losses	(7 173 881)	(3 149 618)	(580 687)	(2 591)	(3 440 985)
Net trade receivables	50 098 550	35 967 708	12 940 476	1 190 366	-
31 December 2019					
Expected loss rate		9%	9%	9%	100%
Gross trade receivables	33 008 973	25 077 905	2 917 115	2 554 275	2 459 678
Allowance for credit losses	(11 320 164)	(3 389 096)	(2 917 115)	(2 554 275)	(2 459 678)
Net trade receivables	21 688 809	21 688 809	-	-	-
Historical					
31 December 2020					
Expected loss rate		9%	9%	9%	100%
Gross trade receivables	57 272 431	39 117 326	13 521 163	1 192 957	3 440 985
Allowance for credit losses	(7 173 881)	(3149 618)	(580 687)	(2 591)	(3440 985)
Net trade receivables	50 098 550	35 967 708	12 940 476	1 190 366	-
31 December 2019					
Expected loss rate		9%	9%	9%	100%
Gross trade receivables	7 358 153	5 590 209	650 265	569 383	548 296
Allowance for credit losses	(2 523 420)	(755 476)	(650 265)	(569 383)	(548 296)
Net trade receivables	4 834 733	4 834 733	-	-	-

16.3 Reconciliation of impairment

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
Opening Balance	11 320 164	274 360 287	3 546 250	7 010 164
Effects of inflation	(7 773 914)	(294 587 931)	-	-
Increase in loss allowance recognised in profit and loss	3 627 631	(15 773 904)	3 627 631	(4 486 744)
Balance at end of the year	7 173 881	11 320 164	7 173 881	2 253 420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

16 TRADE AND OTHER RECEIVABLES (cont'd)

16.4 Contingent assets

The Group is pursuing the recovery of specific amounts from former company employees for losses incurred during their tenure. The amounts being pursued cannot be disclosed as such disclosure could prejudice the position of the Group in the legal action currently being pursued.

		Inflation adjusted		Historical cost	
		Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
17	**INVENTORIES**				
	Raw materials	73 911 329	86 677 707	37 133 361	10 389 801
	Work in progress	2 631 798	866 743	2 631 798	193 209
	Finished goods	251 468 068	108 693 516	87 653 376	14 177 669
	Consumables	69 850 916	45 892 563	31 363 803	5 813 982
		397 862 111	242 130 529	158 782 338	30 574 661
18	**CASH AND CASH EQUIVALENTS**				
	Cash and bank balances	20 005 853	10 827 939	20 005 853	2 413 695
	Bank overdraft	(1 759 892)	-	(1 759 892)	-
	Net bank and cash	18 245 961	10 827 939	18 245 961	2 413 695
19	**SHARE CAPITAL AND RESERVES**				
19.1	Authorised 1 190 000 000 ordinary shares of ZWL1 cent each	338 048 912	266 365 830	6 900 000	6 900 000
19.2	Issued and fully paid 493 040 308 ordinary shares of ZWL1 cent each	190 332 016	190 332 016	4 930 403	4 930 403
19.3	Unissued shares 696 959 692 unissued ordinary shares of ZWL0.01 are under the control of the Directors for an indefinite period, subject to the limitations imposed by the Companies Act and other Businesses Entities Act (Chapter 24:31).				
19.4	Non-distributable reserve	295 520 888	295 520 888	7 655 239	7 655 239

This reserve arose as a result of the change in the Group's functional currency from the United States Dollar to the Zimbabwe Dollar. It represents the residual equity that existed as at 1 February 2009, the date of the changeover. The fair value of each statement of financial position item was determined using various appropriate methods as prescribed by the International Financial Reporting Standards. On 20 February 2019 the Reserve Bank of Zimbabwe announced a change in functional currency from United States Dollars to RTGS Dollar, however the translation for 2018 has been done to comply with SI33 of 2019. The impact of the change is not compliant with the requirements of IAS 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

19 SHARE CAPITAL AND RESERVES (cont'd)

		Inflation Adjusted		Historical cost	
		Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
19.5	Revaluation reserve	795 265 480	795 265 480	290 970 873	290 970 873
	This reserve arose from a revaluation of property, plant, and equipment in line with the Group's policy on the subsequent measurement of property, plant and equipment.				
	The revaluation surplus included in equity in respect of items of property, plant and equipment is transferred directly to retained earnings when the asset is de-recognized.				
19.6	Foreign currency translation reserve	-	(3 160 914)	-	(704 611)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation. During the year, the foreign operation was finally de- registered hence the foreign currency translation was cleared.

		Inflation adjusted		Historical cost	
		Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
20	**LOANS AND BORROWINGS**				
20.1	Short term borrowings				
	Kingdom Bank Limited	-	522 404	-	18 747
	Zimbabwe Asset Management Corporation (ZAMCO)	-	4 188 562	-	1 031 392
	BancABC	3 139 841	-	3 139 841	-
		3 139 841	4 710 966	3 139 841	1 050 139
20.2	Long term borrowings				
	Zimbabwe Asset Management Corporation	-	18 571 449	-	4 139 831

Terms and debt repayment

On 31 October 2020, the Group successfully paid up the loan owed to Zimbabwe Asset Management Corporation (ZAMCO) The BancABC loan repayments were up to date at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

21 TRADE AND OTHER PAYABLES

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
21.1 Trade payables				
Trade payables	74 753 136	62 612 545	74 753 136	13 957 195
Amounts owing to ZIMRA (Note 21.2)	21 151 566	25 367 147	21 151 566	5 654 685
Pension	3 997 621	17 174 338	3 997 621	3 828 396
Revenue received in advance	65 062 594	48 584 760	45 510 435	5 868 413
Other payables	28 333 850	22 021 295	28 333 851	4 908 849
	193 298 767	175 760 086	173 746 609	34 217 538
Analysis				
Current trade and other payables	189 934 591	140 755 149	170 382 433	26 414 457
Non-current trade and other payables	3 364 176	35 004 937	3 364 176	7 803 081
	193 298 767	175 760 086	173 746 609	34 217 538
21.2 Amounts owing to the Zimbabwe Revenue Authority	21 151 566	25 367 147	21 151 566	5 654 685

The Group has a payment plan with ZIMRA for an extended payment period of 8 years from 2017. During the year ended 31 December 2020 the Group paid ZWL 961 639 towards the legacy debt.

22 RELATED PARTY TRANSACTIONS

22.1 Identifiable related parties

Below is a summary of all the identifiable related parties as at 31 December 2020 as defined by International Accounting Standard 24 - Related Party Transactions:

Entity	Nature of relationship
National Social Security Authority	Significant shareholder

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
22.2 Transactions and balances				
Transactions				
National Social Security Authority	1 243 141	692 192	1 243 141	154 299
Balances				
National Social Security Authority	1 090 960	566 044	1 090 960	126 179
22.3 Key management personnel remuneration				
Key management personnel compensation comprised the following:				
Remuneration for services as employees	4 225 956	3 052 014	3 164 395	264 902
22.4 Loans to key management personnel				
Loans owed by former executives	368 244	1 651 958	368 244	368 244
Loans owed by current executives	56 424	1 555 162	56 424	346 667
	424 668	3 207 120	424 668	714 911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

All transactions with all the identifiable related parties are priced on an arm's length basis. All outstanding balances with these related parties are also priced on an arm's length basis and are to be settled in cash on normal terms. All related party balances are unsecured.

23 PENSION SCHEMES

23.1 SMM Holdings Pension Fund

The Group's employees were members of the SMM Holdings Pension Fund which is a defined contribution pension scheme for employees. On 31 August 2015, the Group ceased making contributions to the pension fund and assumed a Paid-up Status which was approved by the Insurance and Pensions Commission.

The balance outstanding as at 31 December 2020 was ZWL3 997 621 including interest (2019: 17 174 338).

23.2 National Social Security

All employees are required by law to be members of the National Social Security Scheme, which is a defined contribution fund. Both the employees and Group contribute. The Group's obligation under the scheme is limited to specific contributions legislated from time to time. The Group's contributions are charged to profit or loss and, in the current year, amounted to ZWL 1 243 141 (2019: ZWL 154 299).

24 PRINCIPAL INVESTMENTS AND THE GROUP'S BENEFICIAL INTEREST

		Percentage holding
24.1	Operating divisions	
	Turnall Fibre Cement	100%
24.2	Dormant subsidiary	
	Turnall (Private) Limited	100%
24.3	Operating subsidiary	
	Tractor and Equipment	100%

24.4 Discontinued operations

Turnroof business was discontinued in 2016 due to viability issues. The entity was successfully de-registered in 2020.

25 Contingent liabilities

As at the end of the reporting period, the Group is engaged in several legal cases involving former employees, whose outcomes and values could not be estimated with certainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

26 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

26.1 Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair values if the carrying amount is a reasonable approximation of fair value.

Inflation adjusted

	Designated at FVTPL ZWL	Amortised cost ZWL	Other financial liabilities ZWL	**Total ZWL**	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	**Total ZWL**
31 December 2020								
Financial assets measured at fair value								
Cash and cash equivalents	20 005 853	-	-	20 005 853	20 005 853	-	-	20 005 853
Financial assets not measured at fair value								
Trade and other receivables -current	-	125 353 415	-	125 353 415	-	125 353 415	-	125 353 415
Treasury bills	-	433 207	-	433 207	-	433 207	-	433 207
	-	125 786 623	-	125 786 623	-	125 786 623	-	125 786 623
Financial liabilities not measured at fair value								
Bank overdrafts	-	-	1 759 892	1 759 892				
Loans and borrowings	-	-	3 139 841	3 139 841				
Trade and other payables-non-current	-	-	3 364 176	3 364 176				
- current	-	-	189 934 591	189 934 591				
	-	-	198 198 500	198 198 500				

Inflation adjusted

	Designated at FVTPL ZWL	Amortised cost ZWL	Other financial liabilities ZWL	**Total ZWL**	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	**Total ZWL**
31 December 2019								
Financial assets measured at fair value								
Cash and cash equivalents	10 827 939	-	-	10 827 939	10 827 939	-	-	10 827 939
Financial assets not measured at fair value								
Trade and other receivables -current	-	103 518 079	-	103 518 079	-	103 518 079	-	103 518 079
Treasury bills	-	1 869 522	-	1 869 522	-	1 869 522	-	1 869 522
	-	105 387 600	-	105 387 600	-	105 387 600	-	105 387 600
Financial liabilities not measured at fair value								
Bank overdrafts								
Loans and borrowings	-	-	23 282 415	23 282 415				
Trade and other payables - non-current	-	-	35 004 937	35 004 937				
- current	-	-	140 755 149	140 755 149				
	-	-	199 042 501	199 042 501				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

26 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (cont'd)

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair values if the carrying amount is a reasonable approximation of fair value.

	Historical cost							
	Designated at FVTPL ZWL	Amortised cost ZWL	Other financial liabilities ZWL	**Total ZWL**	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	**Total ZWL**
31 December 2020								
Financial assets measured at fair value								
Cash and cash equivalents	20 005 853	-	-	20 005 853	20 005 853	-	-	20 005 853
Financial assets not measured at fair value								
Trade and other receivables -current	-	124 162 902	-	124 162 902	-	124 162 902	-	124 162 902
Treasury bills	-	433 207	-	433 207	-	433 207	-	433 207
	-	124 596 109	-	124 596 109	-	124 596 109	-	124 596 109
Financial liabilities not measured at fair value								
Bank overdrafts	-	-	1 759 892	1 759 892				
Loans and borrowings	-	-	3 139 841	3 139 841				
Trade and other payables - non-current	-	-	3 364 176	3 364 176				
- current	-	-	170 382 433	170 382 433				
	-	-	178 646 342	178 646 342				

	Historical cost							
	Designated at FVTPL ZWL	Amortised cost ZWL	Other financial liabilities ZWL	**Total ZWL**	Level 1 ZWL	Level 2 ZWL	Level 3 ZWL	**Total ZWL**
31 December 2019								
Financial assets measured at fair value								
Cash and cash equivalents	2 413 695	-	-	2 413 695	2 413 695	-	-	2 413 695
Financial assets not measured at fair value								
Trade and other receivables -current	-	15 195 936	-	15 195 936	-	15 195 936	-	15 195 936
Treasury bills	-	416 742	-	416 742	-	416 742	-	416 742
	-	15 612 678	-	15 612 678	-	15 612 678	-	15 612 678
Financial liabilities not measured at fair value								
Bank overdrafts	-	-	-	-				
Loans and borrowings	-	-	5 189 970	5 189 970				
Trade and other payables - non-current	-	-	7 803 081	7 803 081				
- current	-	-	26 414 457	26 414 457				
	-	-	39 407 508	39 407 508				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

26.1 Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value.

26.2 Financial risk management

The Group operates a central treasury function, the objective being to minimise funding costs, optimise returns on investments and minimise financial risk. The following risks arise from the Group's financial instruments:

- market risk (which includes currency risk and interest rate risk)
- credit risk
- liquidity risk.

The Group does not use derivative financial instruments for speculative purposes.

This note presents information about the Group exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by Turnall Holdings Limited, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its role by Internal Audit which reviews risk management controls and procedures, the results of which are reported to the Audit Committee.

26.2.1 Currency risk

Currency risk is, as far as possible, managed by hedging foreign currency denominated liabilities with foreign currency denominated liquid assets. As the Zimbabwe dollar is the Group's main trading currency, as well as the reporting currency, for the purpose of defining currency risk, all currencies other than the Zimbabwe dollar are considered foreign currencies.

26.2.2 Interest rate risk

The interest rates for both interest receivable and payable from/to local financial institutions are generally pegged against the market rate. The Group finances their operations through a mixture of equity and bank borrowings. The Group borrows principally in Zimbabwe dollars at fixed and floating rates of interest. The interest rate characteristics of new borrowings and the refinancing of fixed borrowings are positioned according to expected movements in interest rates. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments is as disclosed in note 20 to the consolidated financial statements.

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

26.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group does not normally require collateral in respect of financial assets. Management has a credit policy in place. Exposure to credit risk is monitored on an on-going basis. Non-regular customers are required to prepay their orders in order to manage credit risk.

Investments are allowed only in liquid securities, and only with counterparties that have a credit rating considered equal to or better than that of the Group. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Adequate provision is made against trade and other receivables considered doubtful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

26 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (cont'd)

The maximum exposure to credit risk at the reporting date was as follows:

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
26.3.1 Analysis				
Trade receivables	50 098 550	21 688 809	50 098 550	4 834 733
Other receivables	75 254 865	81 829 270	74 064 352	10 361 203
	125 353 415	114 838 243	124 162 902	15 195 936
26.3.2 Analysis				
Domestic	45 442 388	19 934 790	45 442 388	4 443 738
Zambia	1 661 280	1 523 580	1 661 280	339 627
Mozambique	817 102	230 439	817 102	51 368
South Africa	39 455	-	39 455	-
Botswana	2 138 325	-	2 138 325	-
	50 098 550	21 688 809	50 098 550	4 834 733

The impairment loss at 31 December 2020 relates to several customers that management are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable and thus have not been impaired. This is based on historic payment behaviour and extensive analysis of the underlying customer's credit ratings.

Based on historical default rates, the Group believes that, apart from the amount already provided for as shown above, no other impairment allowance is necessary in respect of trade receivables not past due or past due.

26.4 Liquidity and cash flow risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

	Less than 1 month ZWL	Between 1-3months ZWL	3-12 months ZWL	Above 12 months ZWL
Inflation adjusted				
2020				
Payables	111 556 191	58 783 800	19 594 600	3 364 176
Borrowings	3 139 841	-	-	-
Overdraft	1 759 892	-	-	-
	157 988 325	58 783 800	19 594 600	3 364 176
2019				
Payables	50 962 672	1 999 289	392 892 776	35 004 937
Borrowings	387 357	1 181 548	3 298 466	18 571 449
	51 350 029	3 180 837	396 191 242	53 623 674
Historical cost				
2020				
Payables	92 004 033	58 783 800	19 594 600	3 364 176
Borrowings	3 139 841	-	-	-
Overdraft	1 759 892	-	-	-
	138 796 167	58 783 800	19 594 600	3 364 176
2019				
Payables	17 218 674	445 276	8 750 507	7 803 081
Borrowings	86 271	263 151	700 717	4 139 831
	17 304 945	708 427	9 451 224	11 942 912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

26.5 Capital management

The Board's policy is to maintain a strong capital base to maintain the confidence of its shareholders, creditors and the market and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as attributable earnings divided by total shareholders' equity, as well as the return on invested capital, defined as profit before interest after tax divided by total shareholders' equity plus interest bearing debt, net of cash resources. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 10%; in 2020, the return was 11% (2019: 48%).

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

26.6 Borrowing powers

The Articles of Association limit Turnall Holdings Limited's borrowing powers as follows:

The Directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part of it, and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Group or of any third party, provided that the aggregate borrowing do not exceeded the value of twice the total equity of the business.

At 31 December 2020, total borrowings amounted to ZWL4 899 733, which is within the said limit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

27 REPORTABwLE SEGMENTS

27.1 Analysis

SEGEMENT

	Inflation adjusted			
	Building Products ZWL	Piping Products ZWL	Piping Products ZWL	Total ZWL
Year ended 31 December 2020				
Revenue from external customers	751 671 204	26 332 702	221 566 042	999 569 948
Operating profit/ (loss)	98 634 170	744 096	3 652 573	103 030 839
Depreciation and amortisation	62 457 397	20 936 470	12 380 062	95 773 929
Tax expense	(46 921 429)	(353 975)	(1 737 572)	(49 012 976)
Reportable assets	1 554 586 185	521 115 985	308 144 034	2 383 846 204
Reportable liabilities	(519 150 136)	(18 186 976)	(153 027 070)	(690 364 182)
Capital expenditure	76 080 352	-	41 930 320	118 010 672
Year ended 31 December 2019				
Revenue from external customers	787 570 473	28 627 598	222 622 718	1 038 820 789
Operating profit	20 631 276	1 622 174	6 603 119	28 856 569
Depreciation and amortisation	35 194 519	890 731	1 377 631	37 462 881
Tax expense	(8 845 692)	(902 961)	(1 930 960)	(11 679 613)
Reportable assets	1 201 117 828	743 305 092	231 737 575	2 176 160 495
Reportable liabilities	(155 347 983)	(18 209 199)	(33 921 999)	(207 479 181)
Capital expenditure	21 017 582	-	5 260 192	26 277 774
Historical cost				
Year ended 31 December 2020				
Revenue from external customers	540 183 693	18 923 828	159 227 016	718 334 536
Operating profit/ (loss)	125 495 187	1 727 826	(12 852 842)	114 370 171
Depreciation and amortisation	10 379 564	3 638 362	5 576 455	19 594 381
Tax expense	(28 879 229)	(495 413)	(3 675 559)	(33 050 202)
Reportable assets	460 710 439	154 435 680	91 320 233	706 466 352
Reportable liabilities	(237 599 288)	(8 323 628)	(70 035 853)	(315 958 769)
Capital expenditure	9 533 047	-	5 253 967	14 787 014
Year ended 31 December 2019				
Revenue from external customers	76 789 320	2 894 475	22 676 098	102 359 893
Operating profit	17 988 690	151 956	3 838 732	21 979 378
Depreciation and amortisation	691 671	242 452	371 602	1 305 725
Tax expense	(2 891 705)	(35 538)	(945 523)	(3 872 766)
Reportable assets	247 534 618	154 997 851	48 847 806	451 380 275
Reportable liabilities	(105 368 445)	(3 971 729)	(31 115 593)	(140 455 766)
Capital expenditure	1 268 199	-	745 846	2 014 045

Total liabilities and assets do not include deferred tax assets and liabilities

27.2 Revenue by geographical region

	Inflation adjusted		Historical cost	
	Group 2020 ZWL	Group 2019 ZWL	Group 2020 ZWL	Group 2019 ZWL
Attributable to Zimbabwe	980 746 589	991 756 179	707 611 475	96 974 980
Attributable to foreign countries	18 823 359	47 064 610	10 723 061	5 384 913
	999 569 948	1 038 820 789	718 334 536	102 359 893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2020

28 GOING CONCERN

The Group has net current assets of ZWL306 494 656 (2019: ZWL202 573 752), indicating its ability to service short term debt when it falls due. The Group continued to consolidate its performance after a successful turnaround of the business. The Group has no significant exposure to foreign borrowings.

To consolidate and sustain the gains achieved the directors will continue with the following measures to ensure that the Group continues to operate in the foreseeable future;

a) Group continues to implement cost control measures to improve the viability of the business;
b) The Group will focus on improving product offering to enhance competitiveness; and
c) The Group will continue to prepay for imported raw materials and spares to avoid significant exposure to foreign borrowings and related exchange losses.

The uncertainty as to the future impact on the Group of the COVID-19 outbreak (refer note 29) has been considered as part of the Group's adoption of the going concern basis. The Government of Zimbabwe declared another lockdown from 1 January 2021 to 28 February 2021 following the new strain of the COVID virus that was much stronger than the initial resulting in slow down of business activity. The company was allowed to operate as essential service under the manufacturing industries umbrella hence minimising the impact of the lockdown.

The Group has assessed the impact of COVID 19 on the following significant areas;

a) Extent of operational disruptions - the Group imports fibre from Russia and spares from Italy and South Africa. Cargo can move although the process is slowed down. The Group continues to engage the local mines to have a local solution and reduce reliance on imported fibres.
b) Potential diminished demand of products and services. - the impact of the pandemic has not been severe in the Group's market which is mainly local and the Southern African region. There is potential increase in demand for roofing material in the short term from health authorities as they build isolation centres for infected people.
c) Employees – the company has put measures in place to reduce the impact on employees and this includes social distancing, hand sanitisers, working in shifts and working from home for not font office staff.
d) Asset impairments and changes in the values of assets – there are no indications that the Group assets have been impaired because of the impact of Covid 19. A continuous assessment will be done during 2021 as the country is currently in lockdown and at this stage, there is uncertainty as to when this will end.
e) Contractual obligations due or anticipated in one year – the Group does not have any short-term contractual obligations except loans and overdraft facilities. The Board believes that the company is able to meet it loan repayment and interest obligations despite the disruption in operations.
f) Potential liquidity and working capital shortfalls. The lockdown will have an impact on the company's cash flows as the Group will meet fixed costs without corresponding revenues. However, the Group continued to operate minimum hours during lockdown as manufacturing industries were allowed to operate minimum hours as essential services.

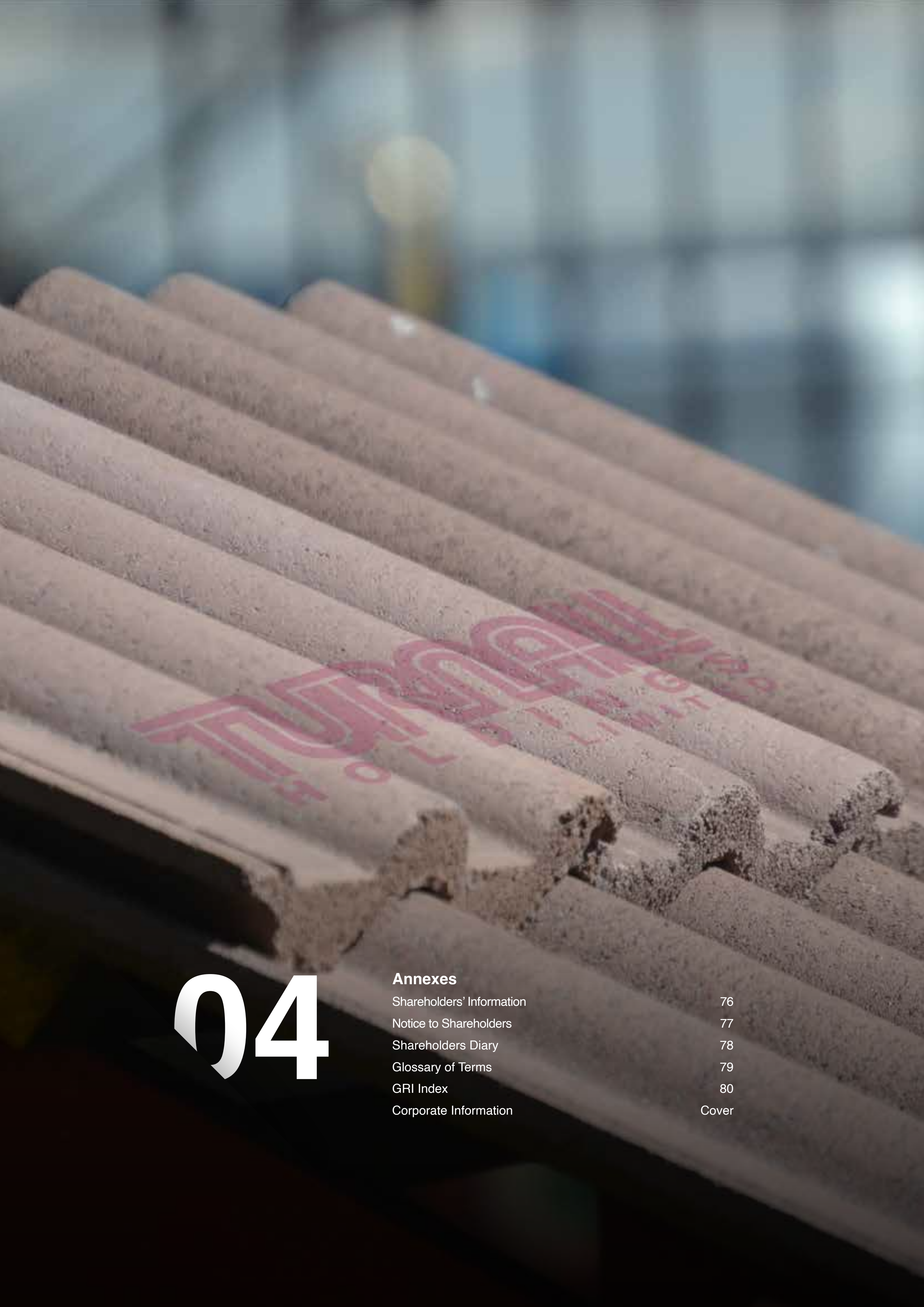
The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, suppliers and employees and government interventions all of which are uncertain and cannot be predicted.

The financial statements have been prepared on going concern basis as the Board believes that the Group will continue in operating existence for the foreseeable future.

29 EVENTS AFTER REPORTING PERIOD

In February 2021 NSSA, a major shareholder of the Group announced that it is disposing its stake in Turnall Holdings Limited as it seeks to streamline its operations. Management is of the opinion that this move will not affect the operations of the Group as NSSA has a significant shareholding and not majority.

The Government of Zimbabwe declared another lockdown from 1 January 2021 to 28 February 2021 following the new strain of the COVID virus that was much stronger than the initial resulting in slow down of business activity. The company could operate as essential service under the manufacturing industries umbrella hence minimising the impact on business performance. The country remained under lockdown although some of the lockdown measures were removed on 28 February 2021.



04

Annexes

SHAREHOLDERS' INFORMATION

as at 31 December 2020

Analysis of shares held	No. of shareholders	% of total shares	Total shares	% of total shares
0 - 500	6848	76.05	836,370	0.17
501 - 1,000	633	7.03	452,048	0.09
1,001 - 5,000	920	10.22	2,050,562	0.42
5,001 - 10,000	195	2.17	1,333,694	0.27
10,001 - 20,000	127	1.41	1,792,595	0.36
20,001 - 50,000	129	1.43	4,381,844	0.89
50,001 -100,000	59	0.66	4,089,013	0.83
100,001 - 500,000	49	0.54	10,022,615	2.03
500,001 - 1,000,000	10	0.11	7,324,147	1.49
1,000,001 - and over	35	0.39	460,757,420	93.45
Total	**9,005**	**100.00**	**493,040,308**	**100.00**

Analysis by category of shares	No. of shareholders	% of total shares	Total shares	% of total shares
Local Companies	495	5.50	207,858,542	42.16
Employee	229	2.54	8,957,008	1.82
Estate Late	8	0.09	10,117	0.00
External companies	2	0.02	50,026,245	10.15
Fund Managers	16	0.18	96,052	0.02
Insurance Companies	13	0.14	154,345	0.03
Investment Trusts And Property	36	0.40	499,088	0.10
Local Resident	8,053	89.43	21,158,889	4.29
Nominees Local	61	0.68	4,838,514	0.98
Non Resident Individual	68	0.76	925,378	0.19
Non Residents	3	0.03	6,561,258	1.33
Other Corporate Holdings	3	0.03	15,359	0.00
Pension Fund	18	0.20	191,939,513	38.93
Total	**9,005**	**100.00**	**493,040,308**	**100.00**

CONSOLIDATED TOP 10 AS AT 31 DEC 2020

Account Name	Total Shareholding	% of total shareholding
NSSA - NATIONAL PENSION SCHEME	160,491,045	32.55
MEGA MARKET (PVT) LTD	79,544,502	16.13
LHG MALTA HOLDINGS LIMITED	50,012,558	10.14
FBC HOLDINGS LIMITED	32,695,901	6.63
LOCAL AUTHORITIES PENSION FUND	28,004,207	5.68
TIRENT INVESTMENTS (PRIVATE) LIMITED	12,386,738	2.51
CASHGRANT INVESTMENTS (PVT) LTD,	10,771,614	2.18
TURNALL HOLDINGS EMPLOYEE SHARE PARTICIPATION TRUST	8,541,412	1.73
STANBIC NOMINEES (PRIVATE) LIMITED (NNR)	6,561,258	1.33
GURAMATUNHU FAMILY TRUST	5,000,030	1.01
Total	**394,009,265**	**79.91**
Other Shareholders	**99,031,043**	**20.09**
Total Number Of Shares	**493,040,308**	**100.00**

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Nineteenth Annual General Meeting will be held virtually on 27 July 2021, 0900hrs for the following business:

1. Ordinary Business

1.1. To approve the holding of the AGM through virtual means and remote attendance.

1.2. To receive, consider and adopt the Group Consolidated Financial Statements and the reports of the Directors and Auditors for the financial year ended 31 December 2020.

1.3. To elect Directors of the Company
Messrs I. Chinyama and M. Gwanzura retire from the Board in terms of Article 95 of the Company's Articles of Association.

The Directors have made themselves available for re-election. They will be separate resolutions for the election of each director.

Mr B. Ngara who was appointed by the directors during the year retires in terms of the articles and offers himself for election.

1.4. Approve the remuneration of the Directors for the financial year ended 31 December 2020.

1.5. Appointment and Remuneration of Auditors
To reappoint Grant Thornton as the auditors for the following year and approve their renumeration for the past year

The auditors have completed their first year and seek appointment for the second year as auditors of the company.

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

Electronic distribution
The electronic copies of the Company's 2020 Annual Report and the financial statements and Directors' and Auditors' Report for the financial year ended 31 December, 2020 have been emailed to those shareholders whose email addresses are on the record. These documents are also available on the Company's website http://www.turnall.co.zw/:

By order of the Board

Z. Bikwa
Acting Company Secretary

Appointment of a proxy
A member entitled to attend and vote at a meeting may appoint a proxy to attend and speak, and on a poll to vote in his stead. Such proxy needs to be a member of the Company. The instrument appointing a proxy shall be deposited at the Company's registered office at least forty-eight hours before the meeting.

Registered Office
5 Glasgow Road
P. O. Box 3985
Workington
Harare

5 July 2021

SHAREHOLDERS' DIARY

FOR THE YEAR ENDED 31 DECEMBER	2021	2020
Publication of Financial Results for the year ended 31 December	28 April 2021	31 March 2021
Annual General Meeting	27 July 2021	30 June 2020
Half Year End	30 June 2021	30 June 2020
Publication of Interim Results	30 September 2021	30 September 2020

GLOSSARY OF TERMS

AIDS – Acquired Immuno Deficiency Syndrome

Chrysotile/White Asbestos – It is a soft, fibourous silicate mineral in the serpentine group, composed of silica, magnesia and iron and is of a yellow to green colour.

CO2e – Carbon Dioxide equivalency

EMA – Environmental Management Agency

GRI – Global Reporting Initiative is a multi-stakehoder international process whose mission is to formulate and disseminate globally applicable sustainability reporting framework to help corporate reporting of economic, environmental and social performance.

Group – Turnall Holdings Limited

IAS – International Accounting Standards

IFRS – International Financial Reporting Standards

ILO – International Labour Organisation

ISO 14001 – ISO Standard for Environmental Management

ISO 9001 – ISO Standard for Quality Management

ISO – Organisation for Standards

MW – Megawatt Electricity Measurement

NEC – National Employment Council

NGO – Non-Governmental Organisation

OHSAS – Occupational Health and Safety Standard referring to OHSAS18001

SAZ – Standard Association of Zimbabwe

SHEQ – Safety Health Environment and Quality

Sustainability – Sustainability is a way of working and living that balances immediate needs for commerce, living, habitation, food, transportation, energy and entertainment with future needs for these resources and systems as well as the liveliness and support of nature, natural resources and future generations. Sustainable development – Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Sustainability Reporting – A sustainability report enables companies and organisations to report sustainability information in a way that is similar to financial reporting. Systematic sustainability reporting gives comparable data, with agreed disclosures and metrics.

PVC – Poly Vinyl Choricle

HDPE – High Density Polyethylene

GRP – Glass Reinforced Plastic

Turnall – Turnall Holdings Limited

SMM – Shabani Mashava Mine

ZAMCO – Zimbabwe Asset Management Company

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CORPORATE INFORMATION

DIRECTORS:	B. Njajeka	-	Chairman
	Z. Bikwa	-	Managing Director
	I. Chinyama	-	Non-Executive Director
	M. Gwanzura	-	Non-Executive Director
	N. Hayes	-	Non-Executive Director
	P. Marufu	-	Non-Executive Director
	S. Mavende	-	Finance Director (resigned 30 April 2021)
	B. Ngara	-	Non-Executive Director
ADMINISTRATION:	Z. Bikwa	-	Managing Director
	T. Makova	-	General Manager - Operations
	T. Mundenda	-	Human Resources Manager

LEGAL ADVISORS:
Dube, Manikai and Hwacha Legal Practitioners
Matizanadzo and Warhurst Legal Practitioners
Sinyoro and Partners Legal Practitioners

BANKERS:
BancABC
Central Africa Building Society
CBZ Bank Limited
FBC Bank Limited
First Capital Bank Limited
Nedbank Limited
NMB Bank Limited
Steward Bank Limited

SECRETARIAL: First Transfer Secretaries (Private) Limited

INSURERS: CBZ Insurance Company (Private) Limited

GROUP SECRETARY: S. Mavende (resigned 30 April 2021)

AUDITORS: Grant Thornton (Zimbabwe) Chartered Accountants

ADDRESS: 5 Glasgow Road, Southerton, Harare, Zimbabwe

Design & Layout by VPCG

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