

(Incorporated in Zimbabwe in 1962 under registration number 476/62)

Head Office: Turnall Holdings Limited, 5 Glasgow Road, Southernton, Harare

Directors: G H Hampshire (Chairman), J P Mkushi (Chief Executive Officer), C J Mahari (Finance Director), B P Nyajeka, B Ngara

ABRIDGED CIRCULAR TO SHAREHOLDERS

Relating to a Renounceable Rights Offer of 4,930,403,080 Ordinary Shares of a nominal value of ZWL\$0.01 each, at a Rights Offer price of ZWL\$9.70 per share, on the basis of ten (10) new Ordinary Shares for each Ordinary Share in issue as at the Record Date

and incorporating a

NOTICE CONVENING AN EXTRAORDINARY GENERAL MEETING



Lead Advisors



Sponsoring Brokers



Reporting Accountants



Legal Advisors



Transfer Secretaries

**Zimbabwean
Brands (Pvt) Ltd**

Underwriters

DATE OF PUBLICATION: 14 June 2023

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This is an Abridged Circular and should be read in conjunction with the full Circular available at the Registered Offices of the Company, as well as on the Company's website and the Zimbabwe Stock Exchange (ZSE) website. Details of the Circular and the Rights Offer can also be downloaded from www.turnall.co.zw or www.zse.co.zw

ACTION REQUIRED

1. If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant, or other professional advisor.
2. No person has been authorised to give information, or make any representations, in connection with the Renounceable Rights Offer or the Company other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, its Directors or its Advisors. The Advisors are acting as advisors to the Company only in connection with the Renounceable Rights Offer, and will not be responsible to any other person for providing the protection offered to their clients.
3. If you no longer hold any shares in Turnall, you should send this document and the accompanying form of proxy, as soon as possible, to the stockbroker, bank or other agent through whom the sale of your shares in Turnall was effected for onward transmission to the purchaser or transferee of the shares in Turnall previously held by you.

1. COMPANY PROFILE

1.1.1 Background

Turnall manufactures and supplies fibre cement roofing products, concrete roofing tiles, pavers and water and sewerage conveyance pipes in Zimbabwe and in regional markets that mainly include Mozambique and Zambia. The Company trades as Turnall Fibre Cement with manufacturing plants in Harare and Bulawayo. The Company's key markets include the low-income housing sector for its building products and local authorities and municipalities for its piping products.

1.1.2 Overview of Operations

Building Products: Turnall mainly uses fibre and cement to manufacture partition boards, fascia boards, barge pantiles, slates and endurite roofing in its building portfolio. In addition, the Company recycles any waste materials to make garden décor vases. Turnall's roofing products in this portfolio are usually used in low-cost residential stands.

Concrete Products: The portfolio in this segment largely comprises of pavers and roofing tiles. Turnall's segment portfolio includes Double Roman, Venetian tiles, and Spanish pavers. Turnall's pavers are suitable mostly for outdoor applications and high traffic areas such as shopping malls, pavements, residential driveways, verandas, sidewalks, and swimming pool surroundings.

Piping Products: Turnall's pipes are manufactured from the Bulawayo plant and mainly comprise of 4-metre sewer and pressure pipes.

COMPANY FINANCIALS

Income Statement for the year ended 31 December 2022

Inflation Adjusted ZWL\$	2022	2021
Revenue	8,401,254,104	2,109,533,045
Cost of sales	(5,759,956,159)	(1,240,637,608)
Gross Profit	2,641,297,945	868,895,437
Other income	1,072,481,769	23,977,209
Selling and distribution expenses	(930,917,828)	(190,376,493)
Administrative expenses	(3,413,557,161)	(297,530,146)
(Loss)/profit from operating activities	(630,695,275)	404,956,007
Finance costs	(2,603,243)	(1,612,074)
(Loss)/gain on net monetary position	(3,063,793,207)	89,810,512
(Loss)/profit before taxation	(3,697,091,725)	493,164,445
Income tax expense	(146,884,627)	(70,876,111)
(Loss)/profit for the year	(3,843,976,352)	422,288,334

Consolidated Statement of Cash Flows as at 31 December 2022

Inflation Adjusted ZWL\$	2022	2021
Net cashflows generated from operating activities	592,431,151	176,280,511
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of PPE	-	604,890
Acquisition of PPE	(622,484,464)	(17,507,725)
Acquisition of right of use asset	(39,867,907)	-
Net cashflows used in investing activities	(662,352,371)	(16,902,835)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in loans and borrowings	-	(5,046,944)
Payment of lease liabilities	10,445,858	-
Dividend paid	(98,951,070)	(17,955,423)
Net cashflows utilised in financing activities	(88,505,212)	(23,005,367)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(158,426,432)	136,375,309
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	569,487,333	29,328,349
CASH AND CASH EQUIVALENTS AT END OF YEAR	411,060,901	165,703,658

Abridged Consolidated Statement of Financial Position as at 31 December 2022

Inflation Adjusted ZWL\$	2022	2021
ASSETS		
Non-current assets		
Property, plant and equipment	14,996,719,287	2,790,475,309
Right of use assets	35,628,546	-
Investment property	470,000,000	19,297,898
Investment in financial assets	477,902	454,018
Deferred taxation	159,282,807	10,237,049
Total non-current assets	15,662,108,542	2,820,464,274
Current assets		
Inventories	2,269,772,195	956,354,969
Trade and other receivables	1,315,844,461	267,438,543
Cash and cash equivalents	411,060,901	165,703,658
Total current assets	3,996,677,557	1,389,497,170
Total assets	19,658,786,099	4,209,961,444
EQUITY AND LIABILITIES		
Share capital	1,051,440,464	305,937,501
Share premium	38,793,063	11,287,613
Non-distributable reserve	1,632,529,440	475,016,887
Revaluation reserve	10,872,146,216	1,278,300,616
(Loss)/retained earnings	(314,119,175)	1,055,873,883
Total equity	13,280,790,008	3,126,416,500
Non-current liabilities		
Lease liability	5,903,719	-
Deferred taxation	3,686,262,562	691,863,183
Total non-current liabilities	3,692,166,281	691,863,183
Current liabilities		
Loans and borrowings	-	-
Trade and other payables	2,471,415,734	290,779,556
Current tax liabilities	209,871,937	100,902,205
Lease liability	4,542,139	-
Total current liabilities	2,685,829,810	391,681,761
Total equity and liabilities	19,658,786,099	4,209,961,444

2. THE PROPOSED TRANSACTION

The Board is proposing a Renounceable Rights Offer to recapitalize Turnall by way of a rights offer of 4,930,403,080 (Four Billion, Nine Hundred And Thirty Million, Four Hundred And Three Thousand, and Eighty) ordinary shares of a nominal value of ZWL\$0.01 (1 ZWL Cent) each, at a Rights Offer price of ZWL\$9.70 (970 ZWL Cents) per Share, on the basis of ten (10) new Ordinary Shares for every Ordinary Share in issue as at the Record Date. The Rights Offer Shares represent 90.9% of the Company's enlarged Ordinary Share capital post the proposed Rights Offer.

3. RATIONALE FOR THE TRANSACTION

Following a series of challenging years where plant replacement and upgrading was not possible because of various economic and operational headwinds, these investments will allow the Group to:

- (i) retool and refurbish its asbestos sheeting lines, and
- (ii) introduce Glass Reinforced Pipes (GRP) business.

The two investment projects will significantly improve the balance sheet of the Group and increase the manufacturing capacity to meet the growing local and regional demand for its core products. The investments will also result in reduced operational costs through improved key efficiencies such as reduced distribution costs locally and regionally due to Zimbabwe's central location in Southern Africa.

4. APPLICATION OF FUNDS RAISED THROUGH RENOUNCIABLE RIGHTS OFFER

Set out below is a breakdown of the application of the funds expected to be raised through the proposed Renounceable Rights Offer.

	ZWL
Gross proceeds of the Renounceable Rights Offer	47,824,909,876
Estimated expenses of the Renounceable Rights Offer	1,439,698,331
Net proceeds of the Renounceable Rights Offer	46,385,211,545
Application of Funds by Shareholders:	
GRP Investment Project	27,831,126,927
Asbestos Plant Replacement	18,554,084,618
Total	46,385,211,545

5. CONDITION PRECEDENT

The Renounceable Rights Offer contemplated herein is subject to the following Condition Precedent:

- Approval by the members of Turnall of the Resolutions at the EGM to be held on Friday, 07 July 2023, in terms of the EGM Notice set out in Section 11 of this Abridged Circular.

6. CONSEQUENCES OF NOT IMPLEMENTING THE RENOUNCIABLE RIGHTS OFFER

Failure to implement the Rights Offer could have a material adverse effect on the Group's ability to continue operating in business due to cashflow constraints, resulting in failure to remain as a going concern.

7. PROFORMAS

Abridged Consolidated Statement of Financial Position as at 31 December 2022

Infiation Adjusted ZWL\$	Note 1	Audited Note 2	Note 3	Proforma Note 4
ASSETS				
Non-current assets				
Property, plant and equipment	14,996,719,287			14,996,719,287
Right of use assets	35,628,546			35,628,546
Investment property	470,000,000			470,000,000
Investment in financial assets	477,902			477,902
Deferred taxation	159,282,807			159,282,807
Total non-current assets	15,662,108,542			15,662,108,542
Current assets				
Inventories	2,269,772,195			2,269,772,195
Trade and other receivables	1,315,844,461			1,315,844,461
Cash and cash equivalents	411,060,901	47,824,909,876	(139 250)	48,235,831,527
Total current assets	3,996,677,557	47,824,909,876	(139 250)	51,821,448,183
Total assets	19,658,786,099	47,824,909,876	(139 250)	67,483,556,725
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	1,051,440,464	49,304,031	206	1,100,744,701
Share premium	38,793,063	47,775,605,845	199,794	47,814,598,702
Non-distributable reserve	1,632,529,440			1,632,529,440
Revaluation reserve	10,872,146,216			10,872,146,216
(Loss)/retained earnings	(314,119,175)		(200,000)	(314,319,175)
Total equity	13,280,790,008	47,824,909,876		61,105,699,884
Non-current liabilities				
Lease liability	5,903,719			5,903,719
Deferred taxation	3,686,262,562			3,686,262,562
Total non-current liabilities	3,692,166,281			3,692,166,281
Current liabilities				
Trade and other payables	2,471,415,734		(139,250)	2,471,276,484
Current tax liabilities	209,871,937			209,871,937
Lease liability	4,542,139			4,542,139
Total current liabilities	2,685,829,810		(139,250)	2,685,690,560
Total equity and liabilities	19,658,786,099	47,824,909,876	(139,250)	67,483,556,725

Notes:

- Audited consolidated statement of financial position of Turnall Holdings Limited as at 31 December 2022, pre-rights issue.
- Being the increase in cash & cash equivalents and increase in share capital and share premium.
- Being transaction costs and underwriter fees payable in shares and not cash.
- Unaudited proforma consolidated statement of financial position of Turnall Holdings as at 1 Jan 2023, post rights issue.

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection by Turnall Shareholders at the registered office of Turnall, 5 Glasgow Road, Southerton, Harare, Zimbabwe, and at the office of First Transfer Secretaries, during normal business hours from Thursday, 15 June 2023:

- The Memorandum and Articles of Association of Turnall;
- The Audited Financial Statements of Turnall for the year ended 31 December 2022 and Audited Financials for the periods 2018 to 2021;
- The written experts' consents referred to in Section 2.17 of the Circular;
- The Underwriting Agreement;
- The Underwriter's Letter of Undertaking;
- The original signed copy of the Circular to Shareholders; and
- The full Reporting Accountant's Report.

9. CORPORATE GOVERNANCE

9.1. Board of Directors

The Board of Directors consists of a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. The Board meets regularly, at least quarterly, to review financial results, dictate policy, formulate overall strategy and approve the budgets. The Board has introduced structures of corporate governance in terms of which certain functions and responsibilities have been delegated to the Board Committees indicated below. The Committees' terms of reference and composition are regularly reviewed. The Chairpersons of the various Committees are all Non-Executive Directors. These standing Committees meet four times a year to assess, review and provide guidance to management on both operational and policy issues.

9.2. Audit and Risk Committee

The committee is responsible for reviewing reports from management, internal auditors and the Group's external auditors in relation to the Group's interim and annual financial statements, as well as accounting and internal control systems. It also recommends the appointment of external auditors and their remuneration to the main Board as well as reviewing reports on the Group's risk policies, risk assessment and risk management. The committee meets at least quarterly.

9.3. New Business and Technical Committee

The committee's main objective is to identify new business portfolios. It also conducts and appraises identified new projects to ensure that they fit with the business' overall vision and mission. The committee meets at least quarterly.

9.4. Remuneration, Human Resources and Nomination Committee

The committee discusses and advises on matters pertaining to human resources, staff retention, and remuneration of non-executive directors, executive directors and staff. The committee meets at least quarterly.

10. IMPORTANT DATES AND TIMES

Notice of EGM and Abridged Circular to Shareholders published.	Thursday, 15 June 2023
Register closes for voting at EGM at 1600hrs.	Tuesday, 04 July 2023
Turnall share register re-opens	Wednesday, 05 July 2023
EGM at 1000hrs.	Friday, 07 July 2023
Announcement and publication of EGM results.	Monday, 10 July 2023
Last day to register for the Rights Offer	Friday, 14 July 2023
Mailing of Letters of Allocation to Shareholders.	Tuesday, 18 July 2023
Rights Offer Opens at 0900hrs.	Tuesday, 18 July 2023
Last day of dealing in letters of allocation at 1200 hours	Tuesday, 08 August 2023
Latest time for splitting letters of allocation at 1200 hours	Wednesday, 09 August 2023
Rights Offer closes at 1600 hours.	Thursday, 10 August 2023
Last day of receiving postal acceptances.	Thursday, 17 August 2023
Allocation of Rights Offer Shares.	Thursday, 17 August 2023
Results of Rights Offer published.	Monday, 21 August 2023
Rights Offer share certificates mailed.	Monday, 21 August 2023

11. NOTICE OF EGM

NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of the Members of Turnall Holdings Limited ("Turnall" or "the Company") will be held at the Turnall Holdings Limited Head Office at 5 Glasgow Road, Southerton, Harare on Friday, 07 July 2023 at 1000 hours for the purpose of transacting the following business and to consider and, if deemed fit, to pass with or without amendment, the following resolutions.

SPECIAL BUSINESS

- As a Special Resolution – Increase in the authorised share capital of the Company**
"That the authorised share capital of the Company be increased from ZWL\$6,900,000 comprising of 690,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each, to ZWL\$70,000,000 comprising of 7,000,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each."
- As an Ordinary Resolution – Approval for capital raising by way of a Renounceable Rights Offer**
"That the Directors be and are hereby authorised to raise ZWL\$47,824,909,876 (Forty Seven Billion, Eight Hundred And Twenty Four Million, Nine Hundred And Nine Thousand, Eight Hundred And Seventy Six Zimbabwe Dollars) by way of a Renounceable Rights Offer to all Shareholders, pro rata to their existing shareholding, being the offer of 4,930,403,080 (Four Billion, Nine Hundred And Thirty Million, Four Hundred And Three Thousand, And Eighty) new Ordinary Shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each, at a Rights Offer subscription price of ZWL\$9.70 (ZWL970 cents) per share, on the basis of ten (10) new Ordinary Shares for every Ordinary Share held."
- As an Ordinary Resolution – Approval for the Underwriter's fees to be payable in shares**
"That the Underwriter be and is hereby given the option, exercisable at its discretion, to receive payment of its underwriting fees by way of an issue of 98,608,062 Ordinary Shares at the Rights Offer price for each Share and that the Shareholders hereby waive their rights of pre-emption in respect to such Shares to be issued to the Underwriter."
- As an Ordinary Resolution – To place unissued shares under the control of Directors**
"That, the balance of the authorised but unissued ordinary shares of the Company, be placed under the control of the Directors for an indefinite period, to be issued in compliance with the terms of the Memorandum and Articles of Association of the Company and the Zimbabwe Stock Exchange Listing Requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting."

By order of the Board

Lizzy Samunda
COMPANY SECRETARY

REGISTERED OFFICE
Turnall Head Office
5 Glasgow Road
Southerton, Harare, Zimbabwe

Notes:

- Voting eligibility**
a) On a show of hands, every Shareholder who (being an individual) is present in person or by proxy at the EGM or which (being a company or body corporate) is represented thereat by a representative appointed as proxy, shall have one vote (irrespective of the number of shares held), and on a poll, every Shareholder who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented by the general meeting, shall have one vote for every Turnall Holdings Limited share of which it is the holder.
- Appointment of Proxies**
a) In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members entitled to attend the above meeting may appoint one or more proxies, to act in the alternative, to attend, speak and vote on their behalf, including voting on a poll. A proxy need not be a member of the Company.
c) Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Proxy Form in a representative capacity, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the EGM. This authority must take the form of a resolution of the corporate body.
d) Completion of a Proxy Form does not preclude a person from subsequently attending the EGM and voting in person.
- Resolution 1**
e) In terms of section 10.79 (a) of the Tenth Schedule to SI 134 of 2019 of ZSE Listing Requirements, Resolution 1 will be subject to a 75% (seventy-five per centum) majority of votes cast in favour of the resolution by Shareholders present or represented by proxy.
- Resolution 3**
f) Zimbabwean Brands (Private) Limited, being the Underwriter, will not vote on Resolution 3 (relating to the payment of the Underwriter's fees in Shares).

PROXY FORM FOR THE EXTRAORDINARY GENERAL MEETING

I/We.....
Of.....
Being member/members of the above Company, hereby appoint:
Mr. / Mrs. / Ms. / Dr

Or failing him/her

Of.....
as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on Friday, 07 July 2023 at 1000 hours and any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions.

Signature.....Signed this.....of.....2023

Note

- A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and speak in his stead. The person appointed need not be a member.
- Proxy forms should be lodged at the registered office of the Company by no later than 48 hours before the time of holding the meeting.
- Any alterations or corrections made to this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
- Shareholders are requested to submit key questions in writing at least five days before the date of the meeting to enable comprehensive answers to be prepared. This will not preclude them from raising questions from the floor.
- If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
- When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
- The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
- Please be advised that the number of votes a member is entitled to is determined by the number of shares recorded on the share register on the Record Date.

Physical and Postal Delivery
Turnall Head Office
5 Glasgow Road
Southerton, Harare, Zimbabwe