ART
AMALGAMATED REGIONAL TRADING

Reviewed Short-form Financial Announcement

For the year ended 30 September 2023

Art Corporation Limited | CHLORIDE CA | EXIDE | KPM KADOMA PAPER MILLS | NWC National Waste Collections | SOFTEX | EVERSHARP | MUTARE ESTATES

The Directors of ART Holdings Limited are responsible for the short-form financial announcement which is issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange (ZSE). The short-form financial announcement is only a summary of the information contained in the audited abridged financial statements for the full year ended 30 September 2023.

Any investment decisions by investors and / or shareholders should be based on the complete abridged consolidated financial statements published on the ZSE website: **www.zse.co.zw** and Company's website: **www.artcorporation.co.zw** The audited financial statements are also available on request, at no charge, at the registered office of the Company during working hours or via email on **info@artcorporation.co.zw.**

SALIENT FEATURES	**INFLATION ADJUSTED**		**HISTORICAL COST**	
	2023 ZWL$ 000	**2022 ZWL$ 000**	**2023 ZWL$ 000**	**2022 ZWL$000**
Revenue from contracts with customers	**125,203,054**	**69,000,256**	**82,282,387**	**11,079,454**
Cost of sales	(59,908,780)	(39,049,395)	(38,072,104)	(6,181,816)
Gross profit	**65,294,274**	**29,950,861**	**44,210,283**	**4,897,638**
Other income	3,200,206	881,843	2,420,172	256,077
Total operating expenses	**(55,025,809)**	**(25,089,971)**	**(38,328,027)**	**(3,880,774)**
Operating profit before fair value adjustments & impairments	**13,468,671**	**5,742,733**	**8,302,428**	**1,272,941**
Total comprehensive profit for the year	**78,236,012**	**23,942,385**	**115,275,667**	**13,649,827**
Basic Earnings per Share (cents)	2,592.9	1,083.2	4,502.1	977.7
Total Assets	**291,954,128**	**116,802,958**	**271,950,169**	**31,636,447**
Total Equity	**143,088,893**	**64,852,881**	**131,833,493**	**16,557,826**
Total liabilities	**148,865,235**	**51,950,077**	**140,116,676**	**15,078,621**

DIVIDEND

The Company is not in a position to declare a dividend.

AUDITOR'S STATEMENT

These abridged financial statements derived from the audited inflation adjusted financial statements of Amalgamated Regional Trading Holdings Limited for the financial year ended 30 September 2023, should be read in conjunction with the complete set of financial statements for the year ended 30 September 2023 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse audit opinion on the consolidated financial statements with respect to non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies.

The Auditors report includes a section of key audit matters outlining matters that in the auditor's professional judgment were of most significance in the audit of the inflation adjusted financial statements. The key audit matters were in respect of revenue recognition and valuation of biological assets. The auditor's report on the consolidated financial statements which form the basis of these financial results is available for inspection at the Group's registered office.

The engagement partner on the audit resulting in the auditor's report is Farai Chibisa (PAAB Number 0547).

ABRIDGED AUDITED FINANCIAL RESULTS 2023

ART
AMALGAMATED REGIONAL TRADING

PERFORMANCE HIGHLIGHTS

FINANCIAL

	INFLATION ADJUSTED	HISTORICAL COST
Revenue	Increased by 81%	Increased by 643%
Gross profit	Increased by 118%	Increased by 803%
Operating profit	Increased by 135%	Increased by 552%

OPERATIONAL

		VOLUMES
Overall		Decreased by 5%
Export		Decreased by 8%
Batteries	(343 161 units)	Decreased by 3%
Paper	(8 216 tons)	Decreased by 17%
Stationery	(48 912 000 units)	Increased by 4%
Timber	(9 426 m³)	Decreased by 9%

CHAIRMAN'S STATEMENT

It is a great pleasure to present the financial and strategic performance of Art Holdings Limited (ART) for the year ended 30 September 2023

OPERATING ENVIRONMENT

The economic environment continued to be extremely difficult and unpredictable as the Group had to navigate an unprecedented number of challenges. Global economies slowed and exchange rates in the region fluctuated, the local currency depreciated significantly before the authorities instituted measures to moderate money supply and liberalise the foreign exchange market. The relative stability of the exchange rate in the second half of the year resulted in improved exports and informal sector volume uptake. Demand in the formal markets was depressed whilst rising energy prices and power shortages heavily impacted the manufacturing sector. Price movements could not fully match inflation as competition from imported finished products increased.

In Zambia, the annual inflation rate at year end increased to 12% largely due to the depreciation of the local currency the Kwacha. The reduced mining output and the fluctuating metal prices led to reduced availability of foreign currency.

GROUP PERFORMANCE OVERVIEW

The Group delivered a resilient performance for the year and made good strategic progress under tough macroeconomic conditions. We continued to strengthen our dominant market position in our core energy storage business whilst work to restructure our paper divisions was being completed. The resulting simplified paper division will be able to adapt to the shifts in the market and deliver value to our customers.

Revenue for the year increased by 81% to ZWL125 billion in inflation adjusted terms compared to the prior year. In historical terms, revenue increased by 643% to ZWL 82 billion. The increase in revenue was due to the frequent price movements during the period in response to inflation and rapid local currency depreciation.

Volumes overall declined by 5% from the prior year as the improved output in the second half of the year could not overturn the impact of power induced product shortages in the first half of the year. Export volumes declined by 8% overall compared to the prior year despite a 40% growth in the fourth quarter.

Group margins improved by 9 percentage points as the recovery of cost increases from customers was supported by improved efficiencies and cost containment measures.

The Group maintained its deleveraging focus as overall third-party debt was reduced significantly. Exchange loss of ZWL56 billion was recorded with most of it emanating from the paper project debt.

Total Group revenues for the year at USD47million increased by 7% from the prior year. The Group's brands continue to be resilient despite increased competition from imports. All the divisions were able to sell predominantly in hard currency.

DIVISIONAL PERFORMANCES

Batteries

Overall batteries volumes declined by 3% from the prior year due to the power challenges experienced in the first half of the year. The division performed well following improved power supply and the elimination of bottlenecks in the platemaking and charging sections where new equipment was commissioned. Volumes in the lead acid battery replacement market had a healthy demand momentum driven by growth in passenger vehicle volumes. Opportunities for trading other battery technologies including lithium were pursued through partners in order to provide customers with a wider range of products.

Paper

Paper volumes declined by 17% from the prior year as demand locally was affected by pricing distortions in the formal retail sector and the intermittent supply of raw materials. The virgin tissue produced from the newly commissioned Paper Mill was well received by the market. The paper division is now able to run two mills and two converting lines with flexibility to improve tissue softness, strength, thickness and absorbency.

The anticipated increased output and widening of pulp sources will improve cost competitiveness going forward. The division has started to realise the benefit of streamlining and consolidating the paper units. The bulk tissue export order book remained firm throughout the year however the unfavourable foreign currency retention threshold necessitated close management of the sales mix to minimise losses.

The successful retooling of the Group's Paper business is part of a multifaceted strategy to boost profitability through constructive disruption across the Tissue value chain. The long-established stand-alone Paper chain business unit model was no longer delivering value following the shifts in the market. The consolidation of the units will deliver quality, cost competitive tissue to our valued customers. Management is confident that the work done in the Paper units has created a platform to sustainably cushion the Group in times of headwinds.

Eversharp

The Stationery division posted very impressive results underpinned by overall volume growth of 4% despite the intermittent power supplies at the Graniteside factory. Eversharp was able to replace the adaptor, barrel and cap moulds which had been previously held back. Production efficiencies were further buoyed by the improved availability of spares and the purchase of a new compressor.

Competition from imported products intensified and this necessitated increased marketing spend. Eversharp's partnership with Luxor (India) helped to broaden the writing instruments product range with the introduction of the PEN PAL and PEN MATE brands.

Mutare Estates

Lumber production volumes were below the prior year as focus was on harvesting our own timber with trading contributing only 5% of the total volumes. The exploitation of the gum saw logs for pallets contributed to the improvement of margins. Crating timber demand remained firm although there were frequent price movements of structural timber in the informal sector.

Cash Generation and Liquidity

Cash generated during the year was applied to reduce debt and complete the paper projects as the Group sought to reposition the business and create a more resilient balance sheet that can withstand headwinds. There was modest capital allocation to new projects during the year. Total capital expenditure for the year was ZWL3 billion. The expected restoration of profitability in the paper segment will go a long way in contributing to the improvement of the Group's liquidity position.

The Board resolved to dispose the unutilised land in Mutare and Kadoma valued at US$2million to improve the Group's cash position. Property market conditions have improved significantly and the identified assets will be disposed at fair value. The company will also actively pursue the disposal of the remaining Mutare Board premises valued at US$3m in order to reduce borrowings and raise working capital for the manufacturing units.

SUSTAINABILITY REPORTING

The Group's commitment to implement its sustainability priorities continues to be an integral part of its business strategy. The divisions extended their environmental stewardship role in the handling of lead and waste to the region. The expansion of the battery scrap network to Zambia and Malawi necessitated training and downstream engagement of the communities. During the period the Group complied with all emission regulations ensuring the well-being of both the surrounding communities and the workforce. The Group will maintain its focus on sustainable management to preserve and maximise the value of our resources as it increases the use of environmentally friendly enzymes in pulping.

DIVIDEND

The Company is not in a position to declare a dividend.

DIRECTORATE

Mr Tae In Baik was appointed to the Board of ART Holdings Limited as a Non-Executive Director with effect from 1 December 2022. The Board would like to congratulate Mr Baik on his appointment and wish him every success in his new role.

OUTLOOK

The operating environment is expected to remain complex characterized by foreign exchange rate volatility and inflationary pressures. The Group will focus on value preservation, de-risking and actively managing its businesses across the formal, informal and export markets. Export sales present a natural hedge in the face of uncertain local currency volatility and changing policies. The extension of the multi-currency regime for a further 5 years has been welcomed by the market. The Group remains wary of the risk posed by the inconsistent power supply and the market arbitrage opportunities presented to competing traders through the auction foreign currency system.

At a time when the next priority of our capital allocation was to return value to our shareholders, the Board has had to acknowledge the reality and significance of the risks and uncertainties that are in the operating environment. We have chosen to take a conservative approach to create a more resilient balance sheet. The Board is confident that the Group can leverage on its brands, regional networks and people to strengthen its financial position.

APPRECIATION

It has been a difficult year and our success depends on the well-being, skills, knowledge, expertise, productivity, motivation and behaviour of our employees. We will strive to resource and thank all our employees for the unwavering support, dedication, resilience and agility to meet challenges.

I would like to express my sincere gratitude to our customers, suppliers, bankers and other key stakeholders, my fellow directors, management and the entire team at ART for the continued contribution and support during the period under review.

T U Wushe
CHAIRMAN
30 September 2023

Directors: Dr T. U. Wushe (Chairman) *M. Macheka (Chief Executive Officer) , T. I. Baik, *A. M. Chingwecha, S. Mupfurutsa, M. Oakley * *Executive*

ABRIDGED AUDITED FINANCIAL RESULTS 2023

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September	INFLATION ADJUSTED		HISTORICAL COST	
	2023 ZWL$ 000	**2022 ZWL$ 000**	**2023 ZWL$ 000**	**2022 ZWL$000**
Revenue from contracts with customers	**125,203,054**	**69,000,256**	**82,282,387**	**11,079,454**
Cost of sales	(59,908,780)	(39,049,395)	(38,072,104)	(6,181,816)
Gross profit	**65,294,274**	**29,950,861**	**44,210,283**	**4,897,638**
Other income	3,200,206	881,843	2,420,172	256,077
Total operating expenses	**(55,025,809)**	**(25,089,971)**	**(38,328,027)**	**(3,880,774)**
Selling and distribution expenses	(14,477,500)	(7,847,228)	(8,265,863)	(919,725)
Administration expenses	(40,548,309)	(17,242,743)	(30,062,164)	(2,961,049)
Operating profit before fair value adjustments & impairments	**13,468,671**	**5,742,733**	**8,302,428**	**1,272,941**
Share of associate profit	26,012	79,173	10,405	9,050
Fair value adjustments on investment property	23,898,741	5,698,156	32,896,278	3,063,450
Fair value adjustments on biological assets	18,531,900	11,461,840	31,431,849	4,660,119
Foreign exchange loss	(56,153,581)	(12,675,230)	(47,545,445)	(3,053,791)
Loss on disposal of disposal of non-current assets	(327,634)	(42,258)	837,238	386
Fire loss	(11)	(34,340)	(4)	(3,054)
Net monetary gain/(loss)	19,969,327	(2,982,043)	-	-
Retrenchment	(284,554)	-	(87,934)	-
Profit before interest and tax	**19,128,871**	**7,248,031**	**25,844,815**	**5,949,101**
Finance income	6,098	6,476	3,580	809
Finance costs	(5,590,818)	(2,667,515)	(4,306,168)	(646,500)
Profit before tax	**13,544,151**	**4,586,992**	**21,542,227**	**5,303,410**
Income tax (expense)/credit	(1,285,081)	534,479	(256,214)	(680,880)
Profit after tax	**12,259,070**	**5,121,471**	**21,286,013**	**4,622,530**
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Surplus on revaluation of property, plant and equipment (net of tax)	62,346,667	15,421,324	87,408,421	8,060,846
Items that may be reclassified subsequently to profit/loss:				
Translation of foreign subsidiary	3,630,275	3,399,590	6,581,233	966,451
Total other comprehensive income for the year, net of tax	**65,976,942**	**18,820,914**	**93,989,654**	**9,027,297**
Total comprehensive profit for the year	**78,236,012**	**23,942,385**	**115,275,667**	**13,649,827**
Basic Earnings per Share	2,592.9	1,083.2	4,502.1	977.7
Diluted Earnings per share	2,592.9	1,083.2	4,502.1	977.7
Headline Earnings per Share	(6,628.3)	(2,865.9)	(9,280.7)	(656.0)

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2023

	Share Capital	Share Premium	Revaluation Reserve	Foreign Currency Transalation	Retained Earnings	Total
INFLATION ADJUSTED	**ZWL$000**	**ZWL$000**	**ZWL$000**	**ZWL$000**	**ZWL$000**	**ZWL$000**
30-Sep-21	**32,824**	**3,057,414**	**8,283,154**	**1,624,111**	**27,912,993**	**40,910,496**
Profit for the year	-	-	-	-	5,121,471	5,121,471
Other comprehensive income	-	-	15,421,324	3,399,590	-	18,820,914
30-Sep-22	**32,824**	**3,057,414**	**23,704,478**	**5,023,701**	**33,034,464**	**64,852,881**
Profit for the year	-	-	-	-	12,259,070	12,259,070
Other comprehensive income	-	-	62,346,667	3,630,275	-	65,976,942
30-Sep-23	**32,824**	**3,057,414**	**86,051,145**	**8,653,976**	**45,293,534**	**143,088,893**
HISTORICAL COST						
30-Sep-21	**47**	**4,378**	**1,348,676**	**33,276**	**1,521,622**	**2,907,999**
Profit for the year	-	-	-	-	4,622,530	4,622,530
Other comprehensive income	-	-	8,060,846	966,451	-	9,027,297
30-Sep-22	**47**	**4,378**	**9,409,522**	**999,727**	**6,144,152**	**16,557,826**
Profit for the year	-	-	-	-	21,286,013	21,286,013
Other comprehensive income	-	-	87,408,421	6,581,233	-	93,989,654
30-Sep-23	**47**	**4,378**	**96,817,943**	**7,580,960**	**27,430,165**	**131,833,493**

GROUP STATEMENT OF FINANCIAL POSITION

As at 30 September	INFLATION ADJUSTED		HISTORICAL COST	
	2023 ZWL$ 000	**2022 ZWL$ 000**	**2023 ZWL$ 000**	**2022 ZWL$000**
ASSETS				
Non-current assets				
Property, plant and equipment	140,840,691	51,302,861	135,328,294	14,354,608
Investment property	29,909,904	14,092,283	29,909,904	4,006,115
Goodwill	-	1,139,740	-	89,394
Biological assets	36,274,293	17,962,463	36,274,293	5,099,425
Right of use assets	8,998,906	10,275,790	8,998,906	2,600,633
Investment in associate	786,615	760,603	27,797	17,392
	216,810,409	**95,533,740**	**210,539,194**	**26,167,567**
Current assets				
Inventories	32,626,807	12,101,754	26,655,589	2,863,311
Trade and other receivables	33,271,577	8,473,824	25,510,051	2,408,383
Cash and cash equivalents	1,285,752	693,640	1,285,752	197,186
	67,184,136	**21,269,218**	**53,451,392**	**5,468,880**
Assets held for sale	7,959,583	-	7,959,583	-
TOTAL ASSETS	**291,954,128**	**116,802,958**	**271,950,169**	**31,636,447**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	32,824	32,824	47	47
Share premium	3,057,414	3,057,414	4,378	4,378
Accumulated profit	45,293,534	33,034,464	27,430,165	6,144,152
Non-distributable reserves	94,705,121	28,728,179	104,398,903	10,409,249
	143,088,893	**64,852,881**	**131,833,493**	**16,557,826**
Non-current liabilities				
Interest-bearing loans and borrowings	3,731,327	-	3,731,327	-
Lease liability	6,537,713	8,220,631	6,537,713	2,080,506
Long term creditors	29,581,261	4,118,353	29,581,261	1,170,754
Deferred tax liabilities	31,360,551	12,534,994	30,993,841	3,937,206
	71,210,852	**24,873,978**	**70,844,142**	**7,188,466**
Current liabilities				
Trade and other payables	59,379,576	14,924,308	51,171,106	4,557,898
Provisions	1,895,079	1,156,776	1,721,700	270,733
Income tax payable	3,097,638	1,235,393	3,097,638	351,194
Lease liability	2,179,238	2,055,159	2,179,238	520,127
Interest-bearing loans and borrowings	8,379,854	6,867,621	8,379,854	1,952,308
Bank overdrafts	2,722,998	836,842	2,722,998	237,895
	77,654,383	**27,076,099**	**69,272,534**	**7,890,155**
Total liabilities	**148,865,235**	**51,950,077**	**140,116,676**	**15,078,621**
TOTAL EQUITY AND LIABILITIES	**291,954,128**	**116,802,958**	**271,950,169**	**31,636,447**

GROUP STATEMENT OF CASHFLOW

For the year ended 30 September	INFLATION ADJUSTED		HISTORICAL COST	
	2023 ZWL$ 000	**2022 ZWL$ 000**	**2023 ZWL$ 000**	**2022 ZWL$000**
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash generated from operations	11,585,270	10,645,468	8,897,441	2,278,740
Interest income	6,098	6,476	3,580	809
Finance costs	(2,327,266)	(2,231,691)	(1,767,874)	(578,536)
Income tax paid	(1,317,904)	(995,599)	(1,566,551)	(117,188)
Cash generated from operating activities	**7,946,198**	**7,424,654**	**5,566,596**	**1,583,825**
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(3,241,126)	(8,542,617)	(2,180,632)	(2,139,297)
Costs capitalized to biological assets	(2,990,402)	(1,373,860)	(1,917,063)	(273,390)
Proceeds on disposal of property, plant and equipment	1,080,899	358,631	1,368,596	5,626
Dividends received	-	6,971	-	1,101
Cash utilised in investing activities	**(5,150,629)**	**(9,550,875)**	**(2,729,099)**	**(2,405,960)**
FINANCING ACTIVITIES:				
Proceeds from borrowings	4,376,346	5,977,167	2,428,946	1,188,330
Repayment of borrowings	(8,465,959)	(4,548,617)	(6,662,980)	(448,340)
Cash generated from financing activities	**(4,089,613)**	**1,428,550**	**(4,234,034)**	**739,990**
Increase in cash and cash equivalents	(1,294,044)	(697,671)	(1,396,537)	(82,145)
Cash and cash equivalents at the beginning of the year	**(143,202)**	**554,469**	**(40,709)**	**41,436**
Cash and cash equivalents at the end of the year	**(1,437,246)**	**(143,202)**	**(1,437,246)**	**(40,709)**
Comprising:				
Cash resources	1,285,752	693,640	1,285,752	197,186
Overdrafts	(2,722,998)	(836,842)	(2,722,998)	(237,895)
Cash and cash equivalents at 30 September	**(1,437,246)**	**(143,202)**	**(1,437,246)**	**(40,709)**

Directors: Dr T. U. Wushe (Chairman) *M. Macheka (Chief Executive Officer) , T. I. Baik, *A. M. Chingwecha, S. Mupfurutsa, M. Oakley * *Executive*

ABRIDGED AUDITED FINANCIAL RESULTS 2023

GROUP SEGMENT RESULTS

INFLATION ADJUSTED	Batteries	Stationary	Paper	Plantations	Central Admin	Adjustments & Eliminations	Group
Sept 23							
Revenue from contracts with customers	131,792,322	19,506,397	25,546,532	6,026,417	-	(57,668,614)	**125,203,054**
Operating profit before impairments & fair value adjustments	21,536,136	4,426,449	(11,198,888)	2,380,640	(3,675,666)	-	**13,468,671**
Segment Assets	115,783,264	13,463,028	66,962,348	85,373,207	10,372,281	-	**291,954,128**
Segment liabilities	(62,829,241)	(7,384,509)	(37,486,204)	(12,914,646)	(28,250,635)	-	**(148,865,235)**
Capital expenditure	(1,320,743)	(1,173,568)	(85,701)	(624,417)	(36,697)	-	**(3,241,126)**
Sept 22							
Revenue from contracts with customers	63,734,206	10,408,235	14,991,564	2,731,985	-	(22,865,734)	**69,000,256**
Operating profit before impairments & fair value adjustments	7,914,162	2,465,519	(4,837,162)	561,427	(361,213)	-	**5,742,733**
Segment Assets	42,701,277	5,258,118	27,302,308	35,190,285	6,350,970	-	**116,802,958**
Segment liabilities	(17,362,500)	(2,775,798)	(13,864,548)	(4,450,842)	(13,496,389)	-	**(51,950,077)**
Capital expenditure	(1,447,503)	(118,807)	(6,786,242)	(174,903)	(15,162)	-	**(8,542,617)**
Depreciation	(1,294,603)	(484,330)	(325,358)	(273,494)	(344,939)	-	**(2,722,724)**

HISTORICAL COST	Batteries	Stationary	Paper	Plantations	Central Admin	Adjustments & Eliminations	Group
Sept 23							
Revenue from contracts with customers	91,358,560	12,030,448	14,914,432	4,038,217	-	(40,059,270)	**82,282,387**
Operating profit before impairments & fair value adjustments	15,268,617	3,424,543	(3,468,000)	1,577,519	(8,500,251)	-	**8,302,428**
Segment Assets	98,272,383	12,222,471	66,883,129	85,362,333	9,209,853	-	**271,950,169**
Segment liabilities	(51,906,302)	(7,385,263)	(37,504,846)	(12,911,958)	(30,408,307)	-	**(140,116,676)**
Capital expenditure	(1,093,109)	(626,542)	(85,022)	(347,664)	(28,295)	-	**(2,180,632)**
Depreciation	(1,802,683)	(196,643)	(567,871)	(186,271)	(133,193)	-	**(2,886,661)**
Sept 22							
Revenue from contracts with customers	10,863,656	1,745,771	2,387,496	432,706	-	(4,350,175)	**11,079,454**
Operating profit before impairments & fair value adjustments	1,121,333	526,551	(199,112)	73,963	(249,794)	-	**1,272,941**
Segment Assets	11,196,098	1,399,395	7,693,937	10,003,415	1,343,602	-	**31,636,447**
Segment liabilities	(5,035,584)	(737,685)	(3,895,563)	(1,258,214)	(4,151,575)	-	**(15,078,621)**
Capital expenditure	(207,319)	(219,275)	(1,680,470)	(29,566)	(2,667)	-	**(2,139,297)**
Depreciation	(171,572)	(29,136)	(46,212)	(26,370)	(30,145)	-	**(303,435)**

SUPPLEMENTARY INFORMATION

1. CORPORATE INFORMATION

The abridged consolidated financial statements of Amalgamated Regional Trading (ART) Holdings Limited and its subsidiaries (collectively, the Group) for the financial year ended 30 September 2023 were authorised for issue in accordance with a resolution of the directors on 5 December 2023. ART Holdings Limited is incorporated in the British Virgin Islands and its shares are publicly traded on the Zimbabwe Stock Exchange through its regional subsidiary ART Zimbabwe Limited.

The main activities of the Group are the manufacture and distribution of paper products, stationery, and lead acid batteries. The Group's principal place of business is 9 Bantry Road, Alexandra Park, Harare.

2. BASIS OF PREPARATION

The abridged consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the British Virgin Islands Companies Act for International Business Companies (Chapter 291), except for non-compliance with International Accounting Standard ("IAS") 21.

The consolidated financial statements have been prepared under the current cost basis as per the provisions of IAS 29 "Financial Reporting In Hyper-inflationary Economies". The local accounting regulatory board, Public Accountants and Auditors Board (PAAB) proclaimed all financial periods after 1 July 2019 to be reported under the hyper-inflation accounting basis. Therefore, the primary financial statements of the Group are the inflation adjusted and historical numbers have been provided as supplementary information.

The Zimbabwe National Statistical Agency (ZIMSTAT) discontinued releasing ZWL Consumer Price Indices (CPIs) in January 2023 and replaced them with the blended CPIs which combined movements for both ZWL and USD prices. This created challenges hyper-inflating historical financial statements for reporting purposes because these blended CPIs do not comply with International Accounting Standard (IAS) 29 since the USD is not under hyper-inflation and conversion factors should be derived from CPIs for a specific currency among other reasons. A way was sought to estimate ZWL CPIs from February to September 2023 by making use of the Total Consumption Poverty Datum lines as published by ZIMSTAT whose movement was found to have a 0.99 correlation coefficient with that of the ZWL CPIs.

SUPPLEMENTARY INFORMATION (cont'd)

2. BASIS OF PREPARATION (cont'd)

These were the CPIs and resultant conversion factors used:

	Indices	Conversion factor
CPI as at 30 September 2023	44,720.86	1.000
CPI as at 30 September 2022	12,713.12	3.518

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Zimbabwe Dollars (ZWL) which is the Group's functional and presentation currency and all values are rounded to the nearest thousand (ZWL000), except when otherwise indicated.

4. STATEMENT OF ACCOUNTING POLICY

The accounting policies in the preparation of the 2023 full year consolidated financial results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2022.

5. BORROWINGS - INFLATION ADJUSTED

	30 September 2023			30 September 2022		
ZWL 000's	**Short-term and Overdraft**	**Long-term**	**Total**	**Short-term and Overdraft**	**Long-term**	**Total**
Group	11,102,852	3,731,327	14,834,179	7,704,462	-	7,704,462

The borrowings are secured by non-current assets with a net book value of ZWL74,775,392,000 (2022; ZWL26,777,895,000)

The average cost of borrowings is 15%. All the borrowings are in USD currency.

GOING CONCERN

The sales volumes achieved by the Group during the year declined by 5% compared to prior year. This was mainly due to a 45-day period in Q2 when Chloride had no adequate power due to the breakdown of the ZESA area substation. It was also because of continued volume decline and losses in the Paper segment due to scarcity of wastepaper locally, high cost of production, and poor product quality.

The Group's current liabilities stood at ZWL78 billion compared to current assets at ZWL67 billion, resulting in a net current liability position of ZWL11 billion. The current asset and acid test ratios thus were 0.87:1 and 0.45:1 respectively. These metrics confirm the cashflow challenges that the Group faced during the year from creditors and lenders and working capital requirements in general.

Below are the measures that will be taken in the challenges:

- The Group invested in tissue making and converting machines with a full capacity of 30t per day to add to 15t per day old mill, installation is complete and now at testing phase. The new machine will produce virgin white tissue, serviette tissue, facial lines and kitchen towel which are all premium grades with high margins. The extra capacity will suffice the entire Zimbabwean market requirements with enough surplus for export.
- An initial injection of 500t of hardwood for virgin lines is expected through internal sources of finance which include disposal of excess land in Mutare and Kadoma. This Group support will help the paper segment complete the first working capital cycle and sustain the subsequent cycles on its own. The excess from the disposal of the fifty-three hectares valued at US$1.8 million will go towards reducing payables and loan balances.
- In Q4, the Softex converting machinery was relocated from Harare to Kadoma and the three paper segment units' processes, management and employees were merged which resulted in leaner structures, faster and efficient responses and decision making and reduced overheads. Excess management and staff were retrenched during the year and after cut-off.
- The Group has managed to negotiate with the banks and major shareholder (whose balance constitutes over 50% of the trade payables at year end) to restructure the loans and payables into longer tenures.

DIRECTORS' RESPONSIBILITY

The Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this Press Statement is an extract.

These abridged Group financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing requirements and in accordance with International Financial Reporting Standards and the Companies and Other Business Entities Act (Chapter 24:31).

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous annual financial.

The Directors would like to advise users to exercise caution in their use of these half year financial statements due to the impact of the change in functional currency in February 2019, its consequent effect on the financial statements and the adoption of the International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies).

AUDITORS STATEMENT

These abridged financial statements derived from the audited inflation adjusted financial statements of Amalgamated Regional Trading Holdings Limited for the financial year ended 30 September 2023, should be read in conjunction with the complete set of financial statements for the year ended 30 September 2023 which have been audited by Grant Thornton Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing (ISAs). The auditors have issued an adverse audit opinion on the consolidated financial statements with respect to non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates and International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies.

The Auditors report includes a section of key audit matters outlining matters that in the auditor's professional judgment were of most significance in the audit of the inflation adjusted financial statements. The key audit matters were in respect of revenue recognition and valuation of biological assets. The auditor's report on the consolidated financial statements which form the basis of these financial results is available for inspection at the Group's registered office.

The engagement partner on the audit resulting in the auditor's report is Farai Chibisa (PAAB Number 0547).

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 (242) 442511-4
F +263 (242) 442517 / 496985
E info@zw.gt.com
www.grantthornton.co.zw

To the members of Amalgamated Regional Trading Holdings Limited

Report on the Audit of the Consolidated Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the consolidated inflation adjusted financial statements of Amalgamated Regional Trading Holdings Limited set out on pages 90 to 176, which comprise the consolidated statement of financial position as at 30 September 2023, and 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 inflation adjusted financial statements do not present fairly, in all material respects, the financial position of Amalgamated Regional Trading Holdings Limited as at 30 September 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

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

During the prior and current financial year, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank exchange rates and/or foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21 because foreign currency was not available for immediate delivery at these rates. 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 financial statements for the year ended 30 September 2023.

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 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

Although IAS 29 has been applied appropriately, its application was based on current and prior period financial information which is not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the consolidated financial statements (including monetary gain/loss) 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 for the year ended 30 September 2023.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key Audit Matter
IFRS 15 – Revenue from Contracts There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditor's responsibility to consider fraud of financial statements. 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.
Biological assets • Timber plantations are classified as biological assets and are accounted for in accordance with International	In addressing the matter, our procedures included the following:

Accounting Standard (IAS) 41 – *'Agriculture'.* • The valuation of biological assets is an area of significant estimate and judgement. The valuation requires complex measurements and involves estimation uncertainty. • The key measurements and assumptions having the most significant impact on the fair value of the biological assets include: ❖ Determination of market prices of timber for fair valuation in accordance with IFRS 13; ❖ Determination of maturity profile of the plantations as at 30 September 2023; ❖ Determination of timber growth estimations. ❖ Determination of expected yields; and ❖ Determination of appropriate discounting rate. • Due to estimates and assumptions involved in the determination of the fair value of biological assets, this area has been considered as a key audit matter.	• Obtaining an understanding and testing the design and operating effectiveness of relevant controls. • Assessing and evaluating the key assumptions and methodologies used in the valuation model by management in determining the fair values of the biological assets for reasonableness. • Assessing the reasonableness of the Group's fair value calculation and the related sensitivity disclosures, by performing our own sensitivity analysis on the biological assets. • Assessing the consistency of application of the valuation model on a year on year basis. • Independently calculating the fair value and comparing the valuation model inputs to internal data and the external data. • Involved our internal valuation experts to evaluate the discount rate used by management in discounting cash flows. • Reviewing the appropriateness and adequacy of the disclosures for fair value measurement in the consolidated financial statements. We concluded that the assumptions made by management were reasonable.

Other information

The Board is responsible for the other information. The other information comprises of the information included in the annual report other than the financial statements and our auditor's report thereon. The other information was obtained prior to the date of this auditor's report. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the 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 entities or 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.

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

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

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

Report on other legal and regulatory requirements

In our opinion, except for the non-compliance with International Accounting Standards as described in our Basis for Adverse Opinion, the financial statements have been properly prepared in compliance with the 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 Farai Chibisa.

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

21 December 2023

HARARE