



GB HOLDINGS LIMITED

ABRIDGED UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2019

CHAIRMAN'S STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2019

Introduction

I hereby present to you the unaudited half year results for the six months period ended 30 June 2019.

The continued effort by the authorities to stabilise the macroeconomic environment culminated among others into the change of the functional currency from US dollars to RTGS Dollars on 22 February 2019. The enactment of statutory instrument 142 of 2019 removed the use of the multicurrency system for legal tender purposes and simultaneously replaced it with the use of the Zimbabwe Dollar in June 2019. According to Zimstats year on year inflation stood at 175.5 % at 30 June 2019 (2018: 2.91 %) as a result of the unintended consequences of the policy interventions.

The business was challenged in terms of access to foreign currency, power outages and inflationary pressure on costs which negatively affected downstream demand. Liquidity constraints persisted as the RBZ overnight lending rates increased from an average of 15 % to 50 % in an effort to curb speculative borrowing thereby exacerbating an already depressed demand in the market.

Group Performance

Total volumes decreased by 30 % to 327 metric tonnes when compared with same period prior year due to inactivity in the first quarter at the rubber division as the business remodelled in response to key policy changes. The decline in volumes at the Chemicals division of 16 % at 241 metric tonnes was attributable to deflated downstream demand in the economy.

Despite a reduction in volumes, total turnover increased by 100 % when compared with prior year same period due to a favourable product mix and the price movement dynamics prevailing in the macro economy. Both divisions recorded growths in turnover in their niche markets where opportunities existed. Due to improved turnover and a cost lag, overall gross profit increased by 264 %. Operating costs increased by 59 % notwithstanding the inflationary pressure on costs. As a result an operating profit of ZWL 1.5 million was recorded against a prior year loss of ZWL 86 000. The average cost of borrowing at 14 % per annum resulted in an interest expense of ZWL94 992.

Outlook

The economy is expected to shrink by 2.1 % in 2019 owing to the effects of drought on key sectors particularly agriculture and power generation. The mining sector which is a key market for the company is expected to register a 1.1 % growth on the back of strengthening commodity prices.

Despite policy fluidity and a rising inflation rate, the company is expected to withstand the headwinds to preserve value while taking advantage of any opportunities that may arise in the key markets it serves.

Dividend

At their meeting on 24 September 2019, the Board considered the need to preserve working capital and resolved not to declare a dividend.

Appreciation

I remain indebted to the employees, all stakeholders and management for their patience and belief in the company despite an ever changing operating environment. I thank my fellow Directors for their wise counsel and look forward to their continued support.


G. G. NHEMACHENA
 Chairman
 24 September 2019

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the 6 months ended 30 June 2019

	Unaudited 30.06.19 ZWL	Unaudited 30.06.18 ZWL
Revenue	5,018,647	2,519,035
Cost of sales	(2,511,392)	(1,831,046)
Gross profit	2,507,255	687,989
Other income	216,798	21,397
Operating expenses	(1,261,128)	(795,790)
Operating profit/(loss)	1,462,925	(86,404)
Net financing cost	(94,992)	(100,249)
Profit/(Loss) before tax	1,367,933	(186,653)
Income tax expense	(627,894)	47,967
Profit/(Loss) after tax	740,039	(138,686)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	740,039	(138,686)
Earnings Per Share (EPS)		
Number of shares in issue	536,588,624	536,588,624
Basic profit/(loss) per share (cents)	0.001	(0.000)
Diluted profit/(loss) per share (cents)	0.001	(0.000)
Headline profit/(loss) per share (cents)	0.001	(0.000)

ABRIDGED STATEMENT OF FINANCIAL POSITION as at 30 June 2019

ASSETS	Unaudited 30.06.19 ZWL	Audited 31.12.18 ZWL
Non-current assets		
Property, plant and equipment	6,971,391	7,110,030
Current assets		
Inventories	1,716,976	1,659,550
Trade and other receivables	742,270	692,231
Bank and cash	529,860	157,860
Total current assets	2,989,106	2,509,641
Total assets	9,960,497	9,619,671
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	536,588	536,588
Share options reserve	19,200	19,200
Non distributable reserve	-	-
Accumulated loss	(3,699,839)	(4,439,871)
	(3,144,044)	(3,884,083)
Non-current liabilities		
Deferred tax	208,556	208,556
Long term portion of borrowings	402,153	415,283
Deferred revenue	610,709	658,989
Current liabilities		
Current portion of borrowings	975,253	845,524
Trade and other payables	11,473,084	11,973,348
Bank overdraft	45,465	25,893
	12,493,802	12,844,765
Total liabilities	13,104,511	13,503,754
Total equity and liabilities	9,960,497	9,619,671

ABRIDGED STATEMENT OF CHANGES IN EQUITY for the 6 months ended 30 June 2019

	Share capital ZWL	Share options reserve ZWL	Non distributable reserve ZWL	Retained loss ZWL	Total ZWL
Balance at 31 December, 2017	\$536,588	\$19,200	-	(3,726,812)	(3,171,024)
Total comprehensive loss for the year	-	-	-	(713,059)	(713,059)
Balance at 31 December, 2018	536,588	19,200	-	(4,439,871)	(3,884,083)
Total comprehensive loss for the year	-	-	-	740,039	740,039
Balance at 30 June, 2019	536,588	19,200	-	(3,699,832)	(3,144,044)

ABRIDGED STATEMENT OF CASH FLOWS for the 6 months ended 30 June 2019

	Unaudited 30.06.19 ZWL	Unaudited 30.06.18 ZWL
Cash flows from operating activities		
Profit/(loss) before tax	1,367,933	(186,653)
Adjustments for:		
Depreciation of property, plant and equipment	138,639	145,806
Profit on disposal of property, plant and equipment	-	-
Interest expense	(94,992)	100,249
Operating cash inflows before working capital changes	1,601,564	59,402
Changes in working capital		
(Increase)/Decrease in inventories	(57,426)	(34,878)
Increase in trade and other receivables	(50,039)	477,334
Decrease in trade and other payables	(500,264)	(439,685)
Working capital changes	(607,729)	2,771
Cash generated from operations	993,835	62,173
Cash flows from investing activities	-	(24,729)
Cash flows from financing activities		
Interest paid	(94,992)	(100,249)
Increase/(decrease) in borrowings	116,629	(130,000)
Net cash inflows/(outflows) from financing activities	21,637	(230,249)
Increase/(Decrease) in cash and cash equivalents	1,015,473	(192,805)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	131,967	247,357
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18 1,147,440	54,552

Notes on the financial statements ended 30 June 2019

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these abridged financial statements have been consistently applied to all the years presented.

2. Basis of presentation

The Company's functional and presentation currency is the Zimbabwean Dollars (ZWL). The Company changed its functional currency from United States dollars (US\$) to Zimbabwean dollar (ZWL) on 22 February 2019 following the promulgation of Statutory Instrument 33 (S.I.33) of 2019 and Statutory Instrument 142 (S.I.142) of 2019. The SI prescribes that all assets and liabilities that were expressed in US\$ immediately before 20 February were deemed, for accounting purposes, on and after the effective date, to be valued in local currency at a rate of 1:1 to the United States dollar. Resultantly, no adjustment was made to prior year figures, which were expressed in United States dollars in prior years.

3. Statement of compliance

The abridged financial statements for the half year ended 30 June 2019 have been prepared in accordance with IAS 34-Interim Financial Reporting. The financial statements are prepared in accordance with the Zimbabwe Stock Exchange (ZSE) Listing Rules, the Companies Act (chapter 24:03.)

4. Inventories

	Unaudited 30.06.19 ZWL	Audited 31.12.18 ZWL
Raw materials	870,412	638,573
Finished goods	687,307	828,346
Consumables	8,011	164,494
Work in progress	151,246	28,137
	1,716,976	1,659,550

5. Trade and other payables

Trade	1,532,142	1,450,980
Other payables	9,940,942	10,522,368
Total trade and other payables	11,473,084	11,973,348

6. Loans

CABS	975,283	845,524
FBC	402,153	415,283
	1,377,436	1,260,807
less: Short term portion	(975,283)	(845,524)
Long term portion	402,153	415,283

The FBC short term loan facility accrues interest at 26% (2018:12%) per annum and is repayable on maturity together with the capital portion on 30 September 2019. The loans are secured by land and buildings with a carrying amount of ZWL1,486,662. The CABS loan facility accrues interest at 10% per annum and is repayable in monthly instalments of ZWL8,011 until 30 June 2024. The loan is secured by land and buildings with a carrying amount of ZWL2,017,178.

	Unaudited 30.06.19 ZWL	Audited 31.12.18 ZWL
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7. Earnings per share

Profit/(Loss) for the period	740,039	(138,686)
Number of shares used in calculating profit/(loss) Per Share		
Shares in issue	538,588,624	538,588,624
Weighted average number of shares used in basic EPS	538,588,624	538,588,624
Number of shares used in diluted profit/(Loss) Per Share	542,988,624	542,988,624

Basic profit per share

Basic profit per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the period.

Diluted profit per share

The calculation is based on the profit attributable to equity holders and the weighted average number of ordinary shares in issue.

Headline profit per share

Headline profit per share is calculated by dividing the headline profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the period.

8. Cyclical operations

A significant portion of the Company's revenue is derived from the sale of rubber and chemical products. Due to the nature of the Company's income, there is no defined pattern of cyclical operations or seasonality of operations and profitability.