

Financial Highlights	ZWL'000
Revenue	25,035
Profit from operations	6,757
Profit before taxation	6,464
Profit for the period	6,583

Chairperson's Statement

Introduction

On behalf of the Board of Directors, I hereby present the Turnall Holdings Limited abridged unaudited financial results for the half year ended 30 June 2019.

Operating Environment

The first half of the 2019 financial year witnessed several key changes in the macro-environment that included a change in the functional currency from US dollars to RTGS dollars on 22 February 2019, and the subsequent introduction of the interbank foreign currency market. Towards the end of June 2019, statutory instrument 142 of 2019 prescribed the Zimbabwe Dollar as the sole currency for legal tender purposes, thus removing the use of multi-currency system. Although the various measures were meant to stabilise the economy, business struggled to cope with the rapid changes.

The Group faced challenges with securing foreign currency for its imports of raw materials and spares.

Inflation increased as prices tended to continue tracking the foreign currency market movements. Prices of commodities increased significantly as industry went through a period of price re-discovery and some speculative tendencies became more rampant. In order to reduce borrowing for speculative purposes the Reserve Bank of Zimbabwe increased overnight accommodation interest rates from 15% to 50%. The liquidity constraints witnessed in the market resulted in reduced aggregate demand across the entire construction industry.

Financial Performance

The Group experienced depressed product demand during the first half due to low disposable incomes, economic hardships and inflation. The Group had adequate supply of product available for sale in the market and took the opportunity to build up inventories in advance of the peak sales period in the second half.

Towards the end of the second quarter, the Group began exporting to Mozambique after experiencing significant demand for roofing products.

The Group's turnover for the half year increased to \$25.0 million compared to \$13.5 million in the prior comparable period.

The Group reported profit from operations of \$6.8 million from the previous comparable period's profit of \$2.5 million. Finance costs declined to \$0.3 million from \$0.4 million due to the impact of favourable debt restructuring.

Profit before tax was \$6.5 million compared to \$2.1 million in the previous comparable period.

The income tax credit to the income statement arose from the unwinding of deferred tax asset balances. The Group did not pay any current taxes, as it utilised the assessed tax losses generated in prior years.

The net current asset position at the end of the period improved to \$5.7 million from \$2.2 million as at 31 December 2018. The Group's interest cover was 23.1 times compared to 6.8 times in the same period last year. Net borrowings were 41% of shareholders funds compared to 80% at year end.

The Group's cash generated from operating activities was \$2.0 million compared to \$0.6 million in the previous comparable period.

Board and Management

There were no changes to the Board and executive management during the period.

Outlook

Liquidity constraints are starting to surface in the economy and are expected to continue, this will have an adverse impact on the demand for the Group's products. The Group expects marginal growth of volumes in the second half, relative to the first half, as this is the peak period for roofing projects. There is evidence that long overdue work on rehabilitation of water and sewage infrastructure is now taking place and the Group has maintained its pipe making capacity in order to satisfy demand from this sector.

The Group has now focused on the regional market and expects to export to South Africa and Mozambique in order to generate foreign currency. The Group expects exports to increase significantly compared to the previous year.

The Group will improve cash generation to reduce borrowings after the significant increase in interest costs at the end of the period under review.

Dividend

In view of the Group's plans to reinvest funds into the business to maintain and expand operations, the Board has resolved not to declare a dividend.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere appreciation to our customers, suppliers, creditors, statutory bodies and other key stakeholders, my fellow Directors, management and staff of Turnall Holdings Limited for the support and commitment during the period under review. The Group looks forward to your continued support.

By Order of the Board.



Mrs. R. Likukuma
Chairperson
30 August 2019

Consolidated Statement of Comprehensive Income for the half year ended 30 June 2019

	Unaudited Six months ended 30.06.2019 ZWL	Unaudited Six months ended 30.06.2018 ZWL
Revenue	25,034,700	13,525,370
Cost of sales	(14,446,316)	(8,295,149)
Gross profit	10,588,384	5,230,221
Other income	2,899,057	26,064
Selling and distribution expenses	(2,018,649)	(877,696)
Administrative expenses	(4,712,109)	(1,870,540)
Profit from operating activities	6,756,683	2,508,049
Finance costs	(292,628)	(370,845)
Profit before taxation	6,464,055	2,137,204
Income tax credit/(expense)	118,485	(748,585)
Profit for the period	6,582,540	1,388,619
Other comprehensive income, net of income tax		
Foreign currency translation differences	(275,449)	4,736
Total comprehensive income for the period	6,307,091	1,393,355
Earnings per share		
Number of shares in issue	493,040,308	493,040,308
Basic and diluted (cents per share)	1.34	0.28

Consolidated Statement of Financial Position as at 30 June 2019

	Unaudited As at 30.06.2019 ZWL	Audited As at 31.12.2018 ZWL
ASSETS		
Non-current assets		
Property, plant and equipment	20,908,392	20,031,499
Investment property	265,760	269,080
Investments in financial assets	411,623	399,230
Deferred taxation	4,806,974	4,770,557
Total non-current assets	26,392,749	25,470,366
Current assets		
Inventories	9,174,307	6,670,669
Trade and other receivables	2,533,600	1,569,401
Prepayments	6,358,591	2,635,073
Cash and cash equivalents	271,018	407,818
Total current assets	18,377,516	11,282,961
Total assets	44,730,265	36,753,327
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	4,930,403	4,930,403
Share premium	181,908	181,908
Reserves	11,985,534	12,260,983
Accumulated losses	(3,072,032)	(9,654,572)
Total equity	14,025,813	7,718,722
Non-current liabilities		
Deferred taxation	6,410,878	6,502,550
Loans and borrowings	4,651,409	5,158,584
Trade and other payables	7,037,749	8,304,013
Total non-current liabilities	18,100,036	19,965,147
Current liabilities		
Loans and borrowings	1,031,392	1,000,041
Trade and other payables	11,267,375	7,866,280
Bank overdraft	305,649	203,137
Total current liabilities	12,604,416	9,069,458
Total equity and liabilities	44,730,265	36,753,327

Consolidated Statement of Cash Flows for the half year ended 30 June 2019

	Unaudited Six months ended 30.06.2019 ZWL	Unaudited Six months ended 30.06.2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,464,055	2,137,204
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	629,440	578,775
Depreciation of investment property	3,320	3,319
Amortisation of financial assets	(12,393)	(7,556)
Finance costs	292,628	370,845
Foreign currency translation differences	(275,449)	4,736
Operating cash flow before working capital changes	7,101,601	3,087,323
<i>Movement in working capital</i>		
Increase in trade, other receivables and prepayments	(4,687,717)	(1,319,862)
Increase in inventories	(2,503,638)	(707,306)
Increase / (decrease) in trade and other payables	2,134,831	(417,394)
Net cash generated from operating activities	2,045,077	642,761
Tax paid	(9,604)	(6,370)
Interest paid	(292,628)	(370,845)
Net cash flows generated from operating activities	1,742,845	265,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,506,333)	(307,299)
Net cash flows used in investing activities	(1,506,333)	(307,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in loans and borrowings	(475,824)	(267,772)
Net cash flows used in financing activities	(475,824)	(267,772)
Decrease in cash and cash equivalents	(239,312)	(309,525)
Cash and cash equivalents at the beginning of the period	204,681	205,200
Cash and cash equivalents at the end of the period	(34,631)	(104,325)

Consolidated Statement of Changes in Equity for the half year ended 30 June 2019

	Share Capital ZWL	Share Premium ZWL	Reserves ZWL	Accumulated losses ZWL	Total ZWL
Balance at 1 January 2018	4,930,403	181,908	12,263,018	(13,500,513)	3,874,816
Profit for the period	-	-	-	1,388,619	1,388,619
Other comprehensive income					
Currency translation differences	-	-	4,736	-	4,736
Balance at 30 June 2018	4,930,403	181,908	12,267,754	(12,111,894)	5,268,171
Profit for the period	-	-	-	2,447,885	2,447,885
Other comprehensive income					
Transfer of revaluation of property, plant and equipment	-	-	(9,437)	9,437	-
Currency translation differences	-	-	2,666	-	2,666
Balance at 31 December 2018	4,930,403	181,908	12,260,983	(9,654,572)	7,718,722
Profit for the period	-	-	-	6,582,540	6,582,540
Other comprehensive income					
Currency translation differences	-	-	(275,449)	-	(275,449)
Balance at 30 June 2019	4,930,403	181,908	11,985,534	(3,072,032)	14,025,813

Supplementary Information

1. Statement of Compliance

The Group received a waiver from the Zimbabwe Stock Exchange with respect to the preparation of reviewed half year interim results that are in compliance with the new listing requirements applicable to half year interim reports.

The abridged unaudited interim financial results are based on statutory records and have been prepared on the historical cost basis, with the exception of property, plant and equipment which is carried at revalued amounts. The last revaluation was carried out in December 2017.

2. Accounting policies and presentation currency

There have been no material changes in the Group's accounting policies since the date of the last audited consolidated financial statements.

On 22 February 2019, the Group determined that its functional currency had changed from US dollars to RTGS dollars, as a result of the issuance of Statutory Instrument 33 of 2019 'Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars) Regulations, 2019.

Subsequent to that date, on 24 June 2019, the Zimbabwe dollar was prescribed as the sole currency for legal tender purposes as a result of the issuance of Statutory Instrument 142 of 2019 'Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019'. References to the Zimbabwe dollar were deemed to be coterminous with bond notes, coins and RTGS dollars.

The abridged unaudited results have therefore been presented in Zimbabwe dollars 'ZWL', and rounded to the nearest dollar unless otherwise indicated. Comparatives have been translated from US dollars to ZWL using the legally prescribed rate of 1:1 that applied to transactions and balances for the period prior to 22 February 2019.

3. Contingent liabilities

The Group has pending matters relating to former employees, the outcome of which can not be determined with certainty.

4. Borrowings

The Group has total borrowings of ZWL5.7 million (2018: ZWL6.2 million). The average borrowing cost for the period was 10% (2018: 10%) percent per annum.

Borrowings are secured against land and buildings.

5. Capital commitments

	2019 ZWL	2018 ZWL
Approved capital commitments for future periods	3,976,832	1,108,918
Capital expenditure	1,506,333	307,299
Depreciation	632,760	582,094

6. Approval of the interim financial results

The abridged unaudited results for the half year ended 30 June 2019 were approved by the Board on 30 August 2019.