

Financial Highlights	ZWL'000
Revenue	202,847
Profit from operations	41,147
Profit before taxation	34,909
Profit for the period	28,317

Chairman’s Statement

Introduction

On behalf of the Board of Directors, I hereby present the Turnall Holdings Limited abridged reviewed financial results for the half year ended 30 June 2020.

Operating Environment

The period was characterised by hyperinflation, cash shortages, fuel shortages, foreign currency shortages and power outages. The Covid-19 pandemic worsened the situation and business was further affected by the lockdown which started at the end of March 2020, resulting in the closure of borders, restriction of movement, reduced trading hours and reduced disposal income for the informal sector.

The Group implemented the appropriate regulatory measures and guidelines to ensure 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 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.

There were several foreign currency policy changes during the period, and the foreign currency interbank system was unable to provide foreign currency requirements for the country.

Financial Performance

The Group prepared financial statements using the requirements of International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies. Inflation adjusted financial statements presented, are the primary financial statements with the historical financial statements being prepared for comparative purposes only.

The Group net profit after tax for the half year ended 30 June 2020 was \$28 million, which is 82% below comparable period last year. Turnover was \$203 million which is 30% below the same period last year. The gross profit percentage was 41% compared to 42% in the same period last year and operating expenses of \$56 million were 28% below the same period last year.

The sales volumes for the period were 3% below comparable period last year. The company volumes for the first quarter were 45% above the same period last year, but the second quarter volumes were 37% below the same period last year owing to the Covid-19 lockdown restrictions.

Export volumes were 3% of total volumes, as in the previous year. The company did not export in the second quarter as the supply chain of imported raw materials was disrupted by border closures and limited international logistics movement.

Operating activities generated \$59 million cash, of which \$46 million was invested into working capital, \$6 million on capital expenditure and \$1 million on loan repayment. Cash and cash equivalents increased by \$5 million.

Board and Management

Mrs. Likukuma, who was our Board Chairperson, retired from the Board at the last Annual General Meeting held on 30 June 2020 after serving the company for fifteen years. The Board, Management and Staff appreciates her dedication to service and wish her well in her future endeavours. I took over as Chairman having served as the Vice Chairman for several years.

I am pleased to welcome Mr. Bevin Ngara who joined the Board as an independent Non-Executive Director on 12 August 2020. We look forward to his valuable contributions.

Outlook

The short to medium term prospects of the business are dependent on the duration and severity of the Covid-19 pandemic and the measures implemented to contain the pandemic. The combination of the Covid-19 pandemic and hyperinflation is expected to make the trading environment difficult for the business and its customers in the second half of the year. Sales volumes for July and August recovered from April and May’s Covid-19 constrained levels and 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 other stakeholders is important to us. The company adheres to the Covid-19 guidelines provided by the authorities to ensure a safe working environment.

Dividend

In view of the need to generate working capital in a hyper-inflationary economy, the Board has resolved not to declare a dividend for the period.

Appreciation

On behalf of the Board of Directors, I would like to express my gratitude to our customers, suppliers, other key stakeholders, my fellow Directors, Management and Staff of Turnall Holdings Limited for the continued support and commitment. The Group looks forward to your continued support.

By Order of the Board.

Mr. B. P. Nyajeka
Chairman

27 August 2020



Independent Review report

These abridged interim consolidated financial statements for the six months ended 30 June 2020 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon.

This review conclusion is adverse with respect to non-compliance with International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates, International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies and the fair value determination of assets, transactions and liabilities. There is an emphasis of matter paragraph regarding the possible impact of the uncertainties relating to COVID-19 pandemic to the Group.

The review conclusion has been made available to management and those charged with the governance of Turnall Holdings Limited. The Independent Review report on the consolidated interim financial statements is available for inspection at the company’s registered office.

	Inflation adjusted		*Historical	
	Reviewed	Unaudited	Reviewed	Unaudited
	six months ended 30.06.2020 ZWL	six months ended 30.06.2019 ZWL	six months ended 30.06.2020 ZWL	six months ended 30.06.2019 ZWL
Revenue	202,846,735	290,776,736	124,622,309	25,034,700
Cost of sales	(118,887,344)	(169,058,220)	(82,272,235)	(14,446,316)
Gross profit	83,959,391	121,718,516	42,350,074	10,588,384
Other income	13,345,542	37,589,121	12,461,617	2,899,057
Selling and distribution expenses	(23,615,022)	(23,622,438)	(14,737,698)	(2,018,649)
Administrative expenses	(32,543,283)	(54,618,717)	(19,953,626)	(4,712,109)
Profit from operations	41,146,628	81,066,482	20,120,367	6,756,683
Net finance costs	(788,881)	(3,708,582)	(474,859)	(292,628)
(Loss) / gain on net monetary position	(5,448,577)	64,576,187	-	-
Profit before taxation	34,909,170	141,934,087	19,645,508	6,464,055
Income tax (expense) / credit	(6,592,133)	11,578,921	(6,281,677)	118,485
Profit for the period	28,317,037	153,513,008	13,363,831	6,582,540
Other comprehensive loss - net of tax				
Foreign currency translation differences	(156,493)	(446,417)	(1,297,973)	(275,449)
Total comprehensive income for the period	28,160,544	153,066,591	12,065,858	6,307,091
Earnings per share				
Number of shares in issue	493,040,308	493,040,308	493,040,308	493,040,308
Basic and diluted (cents per share)	5.74	31.14	2.71	1.34
Headline (cents per share)	5.74	28.13	2.71	0.98

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

Consolidated Statement of Financial Position as at 30 June 2020

	Inflation Adjusted		*Historical	
	Reviewed	Audited	Reviewed	Audited
	as at 30.06.2020 ZWL	as at 31.12.2019 ZWL	as at 30.06.2020 ZWL	as at 31.12.2019 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment	1,031,361,275	1,050,887,777	396,434,062	401,099,984
Investment property	7,043,235	7,071,349	259,118	262,439
Investments in financial assets	416,742	1,091,870	416,742	416,742
Deferred taxation	1,872,556	3,712,083	1,872,556	1,416,818
Total non-current assets	1,040,693,808	1,062,763,079	398,982,478	403,195,983
Current Assets				
Inventories	181,682,698	141,413,233	68,093,004	30,574,661
Trade and other receivables	31,654,505	60,458,406	23,798,964	15,195,936
Cash and cash equivalents	12,208,678	6,323,919	12,208,678	2,413,696
Total current assets	225,545,881	208,195,558	104,100,646	48,184,293
Total assets	1,266,239,689	1,270,958,637	503,083,124	451,380,276
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	111,160,974	111,160,974	4,930,403	4,930,403
Share premium	4,101,302	4,101,302	181,908	181,908
Non-distributable reserve	172,595,186	172,595,186	7,655,239	7,655,239
Revaluation reserve	464,464,608	464,464,608	290,970,873	290,970,873
Foreign currency translation reserve	(2,002,584)	(1,846,091)	(2,002,584)	(704,611)
Retained earnings	168,968,018	140,650,981	21,254,530	7,890,699
Total equity	919,287,504	891,126,960	322,990,369	310,924,511
Non-current liabilities				
Deferred taxation	254,523,755	258,656,121	97,020,049	99,167,606
Loans and borrowings	3,900,528	10,846,417	3,900,528	4,139,831
Trade and other payables	13,894,907	20,444,185	13,894,907	7,803,081
Total non-current liabilities	272,319,190	289,946,723	114,815,484	111,110,518
Current liabilities				
Loans and borrowings	8,658,139	2,751,379	8,658,139	1,050,139
Trade and other payables	54,344,807	82,206,240	44,989,083	26,414,456
Current tax liabilities	10,733,969	4,927,335	10,733,969	1,880,652
Bank overdraft	896,080	-	896,080	-
Total current liabilities	74,632,995	89,884,954	65,277,271	29,345,247
Total equity and liabilities	1,266,239,689	1,270,958,637	503,083,124	451,380,276

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

Consolidated Statement of Cash Flows for the half year ended 30 June 2020

	Inflation adjusted		*Historical	
	Reviewed	Unaudited	Reviewed	Unaudited
	Six months ended 30.06.2020 ZWL	Six months ended 30.06.2019 ZWL	Six months ended 30.06.2020 ZWL	Six months ended 30.06.2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	34,909,170	141,934,087	19,645,508	6,464,055
<i>Adjustment for:</i>				
Depreciation of property, plant and equipment	25,553,707	11,181,575	9,675,092	629,440
Depreciation of investment property	28,114	73,660	3,321	3,320
Amortisation of financial assets	(675,128)	(3,050,814)	-	(12,393)
Finance costs	788,881	3,708,582	474,859	292,628
Currency translation differences	(156,493)	(446,417)	(1,297,973)	(275,449)
Profit from disposal of property, plant and equipment	(35,561)	-	(35,561)	-
Non-cash adjustments IAS 29	(1,603,536)	55,719,506	-	-
Operating cash flow before working capital changes	58,809,154	209,120,179	28,465,246	7,101,601
Movement in working capital				
Decrease/(increase) in trade and other receivables	28,803,901	(19,745,213)	(8,603,028)	(4,687,717)
Increase in inventories	(40,269,465)	(8,008,697)	(37,518,343)	(2,503,638)
(Decrease)/increase in trade and other payables	(34,410,711)	(117,999,152)	24,666,453	2,134,831
Net cash generated from operating activities	12,932,879	63,367,117	7,010,328	2,045,077
Tax paid	(124,545)	(87,319)	(31,656)	(9,604)
Interest paid	(788,881)	(3,708,582)	(474,859)	(292,628)
Net cash flows generated from operating activities	12,019,453	59,571,216	6,503,813	1,742,845
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	81,958	-	81,958	-
Acquisition of property, plant and equipment	(6,073,603)	(10,544,846)	(5,055,566)	(1,506,333)
Net cash flows used in investing activities	(5,991,645)	(10,544,846)	(4,973,608)	(1,506,333)
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease)/increase in loans and borrowings	(1,039,129)	(52,647,481)	7,368,697	(475,824)
Net cash flows (used)/raised from financing activities	(1,039,129)	(52,647,481)	7,368,697	(475,824)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,988,679	(3,621,111)	8,898,902	(239,312)

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.

Consolidated Statement of Changes in Equity for the half year ended 30 June 2020

Inflation adjusted	Inflation Adjusted						
	Share capital ZWL	Share premium ZWL	Non-Distributable reserve ZWL	Revaluation reserve ZWL	Foreign currency translation reserve ZWL	Retained Earnings ZWL	Total ZWL
Balance as at 1 January 2019	111,160,974	4,101,302	172,595,186	-	178,903	(112,821,133)	175,215,232
Profit for the period	-	-	-	-	-	153,513,008	153,513,008
Currency translation differences	-	-	-	-	(446,417)	-	(446,417)
Balance at 30 June 2019	111,160,974	4,101,302	172,595,186	-	(267,514)	40,691,875	328,281,823
Profit for the period	-	-	-	-	-	99,959,106	99,959,106
Revaluation of property, plant and equipment	-	-	-	464,464,608	-	-	464,464,608
Currency translation differences	-	-	-	-	(1,578,577)	-	(1,578,577)
Balance at 31 December 2019	111,160,974	4,101,302	172,595,186	464,464,608	(1,846,091)	140,650,981	891,126,960
Profit for the period	-	-	-	-	-	28,317,037	28,317,037
Currency translation differences	-	-	-	-	(156,493)	-	(156,493)
Balance at 30 June 2020	111,160,974	4,101,302	172,595,186	464,464,608	(2,002,584)	168,968,018	919,287,504

*Historical	Inflation Adjusted						
	Share capital ZWL	Share premium ZWL	Non-Distributable reserve ZWL	Revaluation reserve ZWL	Foreign currency translation reserve ZWL	Retained Earnings ZWL	Total ZWL
Balance at 1 January 2019	4,930,403	181,908	7,655,239	4,597,809	7,935	(9,654,572)	7,718,722
Profit for the period	-	-	-	-	-	6,582,540	6,582,540
Currency translation differences	-	-	-	-	(275,449)	-	(275,449)
Balance at 30 June 2019	4,930,403	181,908	7,655,239	4,597,809	(267,514)	(3,072,032)	14,025,813
Profit for the period	-	-	-	-	-	10,962,731	10,962,731
Revaluation of property, plant and equipment	-	-	-	286,373,064	-	-	286,373,064
Currency translation differences	-	-	-	-	(437,097)	-	(437,097)
Balance at 31 December 2019	4,930,403	181,908	7,655,239	290,970,873	(704,611)	7,890,699	310,924,511
Profit for the period	-	-	-	-	-	13,363,831	13,363,831
Currency translation differences	-	-	-	-	(1,297,973)	-	(1,297,973)
Balance at 30 June 2020	4,930,403	181,908	7,655,239	290,970,873	(2,002,584)	21,254,530	322,990,369

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies.



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Supplementary Information

1. Statement of Compliance

The abridged interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) except for IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 29 Financial Reporting in Hyper-inflationary Economies, and in the manner required by the Companies and Other Businesses Entities Act (Chapter 24:31).

The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year unless otherwise stated. These abridged interim consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis. The abridged interim consolidated financial statements were approved and authorized for issue by the Board of Directors on Thursday 27 August 2020.

2. Hyperinflation

The Group adopted IAS 29 - "Financial Reporting in Hyper-Inflationary Economies" effective 1 July 2019 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board (PAAB). The consolidated financial statements have been prepared under the current cost basis as per the provisions of IAS 29. The Group used the price indices provided by Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors up to 30 June 2020:

	Index	Conversion factor
CPI as at 30 June 2020	1,445.2	1.00
CPI as at 31 December 2019	551.6	2.62
CPI as at 30 June 2019	172.6	8.37

3. Accounting policies and reporting currency

There have been no material changes in the Group's accounting policies since the date of the last consolidated financial statements. The financial statements are presented in ZWL which is the functional currency of the Group and are rounded to the nearest dollar (\$) unless otherwise indicated.

4. Borrowings - Inflation adjusted

The Group has total borrowings of ZWL12.6 million (2019: ZWL13.6 million), The average borrowing cost for the period was 25 percent per annum.

Borrowings are secured against land and buildings.

5. Capital commitments

	Inflation Adjusted	
	2020 ZWL	2019 ZWL
Approved capital commitments for future periods	149,211,954	33,298,480
Capital expenditure	6,073,603	10,544,846
Depreciation	25,581,821	11,255,235

6. COVID-19 Pandemic

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

The business is currently operating under the strict guidelines issued by the Government of Zimbabwe, however there are a lot of uncertainties relating to COVID-19 and hence the possible impact on the performance and financial position of the Group can not be measured reliably.



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5 Glasgow Rd, Southerton, Hre

www.turnall.co.zw
customercare@turnall.co.zw

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

T +263 4 442511-13
F +263 4 442517/ 496985
E info@zw.gt.com
www.grantthornton.co.zw

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the members of Turnall Holdings Limited and its subsidiaries

We have reviewed the accompanying inflation adjusted consolidated statement of financial position of Turnall Holdings Limited and its subsidiaries as at 30 June 2020 and the related inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant group accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the inflation adjusted consolidated interim financial information

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and the Group's accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of inflation adjusted consolidated interim financial information that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity."* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

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

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. The economic environment during the year ended 31 December 2019 was characterised by 'multi-tiered' pricing, and the Group transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – *The Effects of Changes in Foreign Exchange Rates* which requires that an assessment be made of the change in functional currency and that financial information be presented at a rate that approximates the market rate. The Group had to be guided by S.I. 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Group maintained its functional currency as the USD from 1 January 2019 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe Dollar as presented in the financial statements. This constitutes a departure from the requirements of IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. Had the financial information 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 information of the non-compliance with IAS 21 are considered material and pervasive to the financial information, taken as a whole.

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Directors have applied the IAS 29 – *Financial Reporting in Hyperinflationary Economies* with effect from 1 October 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 – *Financial Reporting in Hyperinflationary Economies*.

Had the Group fully applied the requirements of IAS 29 on restated base numbers, many of the elements of the financial information would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive.

Fair value determination of transactions, assets and liabilities

The determination of fair values for transactions, assets and liabilities presented in the financial information 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 fair values.

Emphasis of matter

We draw attention to **note 6** to the inflation adjusted consolidated interim financial information, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group. The Group is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, the accompanying inflation adjusted consolidated interim financial information do not present fairly, in all material respects the financial position of Turnall Holdings Limited and its subsidiaries as at 30 June 2020, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this independent review conclusion is Edmore Chimhowa.



Edmore Chimhowa

Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

4 September 2020

HARARE