



GB Holdings Limited

Abridged Reviewed Financial Results For the half year ended 30 June 2021

GENERAL BELTINGS



CHAIRMAN'S STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2021

Introduction

I hereby present to you the half year reviewed interim unaudited results for the six months period ended 30 June 2021. Commentary is on inflation adjusted figures.

The period under review was characterised by continued efforts by the authorities to stabilise the operating environment on the back of a good agriculture season for the country and improved commodity prices on the international market. The curtailed money supply growth and improved foreign currency inflows sustained the auction market and resulted in exchange rate stability. According to Zimstats inflation was 106.6 % as of June 2021 declining from 737.3 % as at June 2020. The enactment of SI 127 of 2021 further buttressed the price stabilisation initiative. However the resurgence of a more virulent third wave COVID attack decelerated the growth momentum at the beginning of the year.

The business was accorded essential service status during the entire lockdown period. However the restricted movement globally curtailed demand from the key hospitality and education sectors. Logistical constraints were experienced throughout the value chain and constrained factory throughput.

Group Performance

Despite the depressed demand in key markets, total volumes increased by 43% to 413 metric tonnes when compared with same period prior year with both divisions recording volume increases. General Belting's volumes rose by 39% on the back of increased factory throughput and improved internal efficiencies. Although Cernol Chemicals suffered market set back due to the lockdown measures, it sought alternative markets and volumes increased by 46%.

Total turnover at ZWL 205 million decreased by 17% when compared with the same period prior year's turnover of ZWL 246 million. Turnover growth was constrained by limited pricing opportunities and new entrants in the Chemicals business. General Beltings consolidated its market positioning although it had similar setbacks through cheap imports.

Overall gross profit at ZWL 91 million decreased by 54% when compared with same period prior year due to the gains of the rand against the United States dollar and increased overheads underpinned by parallel exchange rate costings. Despite the inflationary pressure, operating costs decreased by 31% due to robust cost control measures. As a result an operating profit ZWL 36 million was recorded against ZWL

114 million of the prior year's same period.

Outlook

According to the IMF, the Zimbabwean economy is expected to grow by 5 % in 2021 due to increased agricultural output and viable mineral prices. Prices of raw materials and other factors of production are set to increase in tandem with the parallel exchange rates resulting in increased pressure on costs. The possibility of a fourth covid-19 wave is a grim possibility whose inevitable effect on demand will negatively impact financial performance.

Nevertheless, the company's rubber division expects to consolidate further in the economic sectors it serves which are pillars in the Government of Zimbabwe's national development strategy which envisions a middle income economy by 2030. The Chemicals division is expects to diversify in alternative markets to compensate for the traditional markets whose buoyancy depend on the extent of the lockdown measures. The inevitable effect of SI 127 of 2021 on local input costs will narrow margins due to the multiple exchange rate basis applicable on pricing of good and input costs. Overall the performance out turn for the year will be closer to budget but lower than prior year in real terms.

Dividend

At their meeting on 21 September 2021, the Board took into account possible future waves of the Covid-19 pandemic and the consequent supply chain disruptions. In this regards the board resolved not to pay an interim dividend for the period under review.

Appreciation

The six months have been challenging given the pandemic but the company operated profitably through the support of all stakeholders and the counsel from the Board. I thank you all for your patience and sacrifice that has enabled the company consolidate its profitable position. I look forward to your continued support.

G G Nhemachena
Chairman

AUDITOR'S REPORT

These abridged interim financial statements for the six months ended 30 June 2021 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon. This review conclusion is qualified with respect to non compliance with IAS 21: The Effects of Changes in Foreign Exchange Rates. The review conclusion has been made available to management and those charged with governance of the Company. The conclusion on the interim financial statements is available for inspection at the registered office of the Company.

The engagement partner responsible for this review is Trevor Mungwazi
PAAB number 0622

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 30 June 2021

		INFLATION ADJUSTED		HISTORICAL COST	
Note		Reviewed 30.06.21 ZWL	Unaudited 30.06.20 ZWL	Reviewed 30.06.21 ZWL	Unaudited 30.06.20 ZWL
Revenue	12	204,688,596	245,875,634	190,573,545	46,426,835
Cost of sales		(113,640,746)	(48,283,803)	(106,746,242)	(12,492,066)
Gross profit		91,047,850	197,591,831	83,827,303	33,934,769
Other income		936,627	656,751	747,689	124,005
Operating expenses		(56,223,243)	(84,253,270)	(53,211,283)	(15,037,909)
Profit from operations		35,761,234	113,995,312	31,363,709	19,020,865
Finance charges		-	(50,577)	-	(14,219)
Profit before tax and monetary loss		35,761,234	113,944,735	31,363,709	19,006,646
Monetary loss		(17,442,912)	(60,171,886)	-	-
Profit before tax		18,318,322	53,772,849	31,363,709	19,006,646
Income tax expense	13	(6,248,733)	(50,451,363)	(7,544,333)	(5,160,084)
Profit for the period		12,069,589	3,321,486	23,819,376	13,846,562
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		12,069,589	3,321,486	23,819,376	13,846,562
Number of shares in issue		536,588,624	536,588,624	536,588,624	536,588,624
Basic profit per share (cents)		0.022	0.006	0.044	0.026
Diluted profit per share (cents)		1.886	0.006	3.722	0.026
Headline earnings per share (cents)		0.020	0.002	0.043	0.069

STATEMENT OF FINANCIAL POSITION as at 30 June 2021

		INFLATION ADJUSTED		HISTORICAL COST	
Notes		Reviewed 2021 ZWL	Audited 2020 ZWL	Reviewed 2021 ZWL	Audited 2020 ZWL
ASSETS					
Non-current assets					
Property, plant and equipment	6	319,134,968	318,838,693	12,493,849	7,137,622
Current assets					
Inventories	7	61,376,881	51,400,028	60,277,261	40,863,888
Trade and other receivables	8	51,128,828	99,257,078	51,128,828	82,243,736
Bank and cash balances		7,573,219	12,825,968	7,573,219	10,627,357
		120,078,928	163,483,074	118,979,308	133,734,981
Total assets		439,213,896	482,321,767	131,473,157	140,872,603
EQUITY AND LIABILITIES					
Equity					
Share capital		21,483,039	21,483,039	536,588	536,588
Share options reserve		768,698	768,698	19,200	19,200
Foreign currency translation reserve		(3,859,135)	(3,859,135)	(712,820)	(712,820)
Retained profit		275,314,645	270,885,375	54,274,284	38,229,313
		293,707,247	289,277,977	54,117,252	38,072,281
Non-current liabilities					
Deferred tax		69,690,035	71,119,721	2,749,109	2,883,194
Deferred revenue	11	1,375,446	1,375,446	31,542	31,542
		71,065,481	72,495,167	2,780,651	2,914,736
Current liabilities					
Borrowings	9	762,914	923,134	762,914	764,903
Trade and other payables	10	53,438,259	104,465,144	53,438,259	86,559,105
Corporate tax payable		20,239,996	15,160,345	20,239,996	12,561,578
		74,441,169	120,548,623	74,441,169	99,885,586
Total liabilities		145,506,650	193,043,790	77,221,820	102,800,322
Total equity and liabilities		439,213,896	482,321,767	131,473,157	140,872,603

STATEMENT OF CHANGES IN EQUITY for the half year ended 30 June 2021

	Share capital ZWL	Share options reserve ZWL	Foreign currency translation reserve ZWL	Accumulated profit/(loss) ZWL	Total ZWL
INFLATION ADJUSTED					
Balance at 1 January 2020	21,483,039	768,698	(3,859,135)	219,794,499	238,187,101
Total comprehensive income for the year	-	-	-	51,090,876	51,090,876
Balance at 31 December 2020	21,483,039	768,698	(3,859,135)	270,885,375	289,277,977
Total comprehensive income for the period	-	-	-	12,069,589	12,069,589
Dividend paid	-	-	-	(7,640,319)	(7,640,319)
Balance at 30 June 2021	21,483,039	768,698	(3,859,135)	275,314,645	293,707,247
HISTORICAL COST					
Balance at 1 January 2020	536,588	19,200	(712,820)	27,717	(129,315)
Total comprehensive income for the year	-	-	-	38,201,596	38,201,596
Balance at 31 December 2020	536,588	19,200	(712,820)	38,229,313	38,072,281
Total comprehensive income for the period	-	-	-	23,819,376	23,819,376
Dividend paid	-	-	-	(7,640,319)	(7,640,319)
Balance at 30 June 2021	536,588	19,200	(712,820)	54,408,370	54,251,338

STATEMENT OF CASH FLOWS

		INFLATION ADJUSTED		HISTORICAL COST	
	Notes	30.06.21 ZWL	30.06.20 ZWL	30.06.21 ZWL	30.06.20 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		18,318,322	53,772,849	31,363,709	19,006,646
Adjusted for:					
Depreciation of property, plant and equipment	6	5,506,366	9,422,611	194,628	144,321
Interest expense		-	50,577	-	14,219
Deferred revenue		-	(3,325)	-	(925)
Monetary loss		17,442,912	6,0171,886	-	-
Effect of IAS 29		(17,229,289)	(54,073,746)	-	-
Operating inflows/(cash outflows) before working capital changes		24,038,311	69,340,852	31,558,337	19,164,261
Changes in working capital					
(Increase)/decrease in inventories		(9,976,853)	7,368,816	(19,413,374)	(5,308,477)
(Increase)/decrease in trade and other receivables		48,128,250	(1,227,541)	31,114,908	(8,079,046)
(Decrease)/increase in trade and other payables		(51,026,885)	(68,779,624)	(33,120,846)	(4,509,778)
Net cash generated from/(utilised in) operating activities		11,162,823	6,702,503	10,139,025	1,266,960
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	6	(5,802,641)	(142,015)	(5,550,854)	(41,832)
Net cash utilised in investing activities		(5,802,641)	(142,015)	(5,550,854)	(41,832)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		-	(50,577)	-	(14,219)
Loans paid		(160,220)	(4,110)	(1,989)	(1,989)
Dividend paid		(7,640,319)	-	(7,640,319)	-
Net cash utilised in financing activities		(7,800,539)	(54,687)	(7,642,308)	(16,208)
NET DECREASE /(INCREASE) IN CASH AND CASH EQUIVALENTS		(2,440,357)	6,505,801	(3,054,138)	1,208,920
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		10,013,576	6,320,167	10,627,357	1,849,606
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		7,573,219	12,825,968	7,573,219	3,058,526

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS for the six months ended 30 June 2021

1 General information

General information, basis of preparation and statement of compliance with IFRS

The Interim Financial Statements are for the six months ended 30 June 2021 and are presented in Zimbabwean Dollars (ZWL), which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

The Interim Financial Statements were approved for issue by the Board of Directors on 21 September 2021

2 New Accounting standards

There are no accounting pronouncements which have become effective from 1 January 2021 that have a significant impact on the Group's interim consolidated financial statements.

3 Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2020.

4 Estimates and judgements

When preparing the Interim Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2020. The only exceptions are the estimate of income tax liabilities which is determined in the Interim Financial Statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5 Statement of compliance

These financial statements have been prepared under the assumption that the Group operates on a going concern basis.

6 Property and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	30.06.21 ZWL	31.12.20 ZWL	30.06.21 ZWL	31.12.20 ZWL
Opening carrying amount	318,833,995	328,056,616	7,137,622	6,971,551
Additions to property and equipment	5,802,641	1,509,311	5,550,855	483,499
Revaluation	-	-	-	-
Depreciation charge	(5,506,366)	(10,727,234)	(194,628)	(317,428)
Carrying amounts of disposed assets	-	-	-	-
Closing carrying amount	319,134,968	318,838,693	12,493,849	7,137,622

	INFLATION ADJUSTED		HISTORICAL COST	
	2021 ZWL	2020 ZWL	2021 ZWL	2020 ZWL

7 INVENTORIES				
Raw materials	39,645,432	36,443,196	38,826,351	28,972,955
Finished goods	15,535,882	12,738,603	15,276,981	10,127,404
Consumables	859,288	1,669,764	845,661	1,327,490
Work-in-progress	5,336,279	548,465	5,328,268	436,039
	61,376,881	51,400,028	60,277,261	40,863,888

8 TRADE AND OTHER RECEIVABLES

Trade receivables	51,038,208	100,367,516	51,038,208	83,163,837
Less: Allowance for credit losses	(1,000,194)	(2,142,521)	(1,000,194)	(1,775,278)
Trade receivables-net	50,038,014	98,224,995	50,038,014	81,388,559
Other receivables	1,090,814	1,032,083	1,090,814	855,177

Financial assets other than cash and cash equivalents classified as loans and receivables

	51,128,828	99,257,078	51,128,828	82,243,736
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9 BORROWINGS

CABS	762,914	920,734	762,914	762,914
FBC Bank	-	2,400	-	1,989
	762,914	923,134	762,914	764,903

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 historical cost carrying amount of ZWL2,057,559.

10 TRADE AND OTHER PAYABLES

Trade	18,589,730	52,215,410	18,589,730	43,265,332
Other payables	34,848,529	52,249,734	34,848,529	43,293,773
	53,438,259	104,465,144	53,438,259	86,559,105

11 DEFERRED REVENUE

Balance as at 1 January	1,375,446	1,385,224	31,542	33,300
Deferred revenue realised through profit or loss	-	(9,778)	-	(1,758)
	1,375,446	1,375,446	31,542	31,542

Deferred revenue balance relates to equipment given to the company as a loyalty programme by one of its customers, Nuvo Rubber Compounds. Deferred revenue is credited to profit or loss on a straight line basis over the expected life of the equipment of 20 years.

12 REVENUE



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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the members of General Beltings Holdings Limited

We have reviewed the accompanying statement of financial position of General Beltings Holdings Limited as at 30 June 2021 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the 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 company's accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of 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 Qualified Conclusion

Non-compliance with International Accounting Standard 21 -The Effects of Changes in Foreign Exchange Rates

During the period, there were residual effects arising from the requirement to comply with SI 33/2019. In order to comply with SI 33/2019, the transactions and balances for the period 1 October 2018 to 22 February 2019 were accounted for on the basis of a rate of 1:1 between USD and RTGS. This was not consistent with the requirements of IAS 21. The residual effects of this non-compliance have resulted in the misstatement of retained earnings in the interim financial information for the six months ended 30 June 2021.

In addition, during the period 22 February 2019 to 22 June 2020, the foreign currency denominated transactions and balances were translated into ZWL using the interbank exchange rate which was not considered an appropriate spot rate for translations as required by IAS 21. The conclusion on the prior year interim financial information was modified in respect of this matter and the misstatements have not been corrected in the interim financial information for the six months ended 30 June 2021.

Conclusion

Based on our review, except for the issue highlighted in *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of General Beltings Holdings Limited as at 30 June 2021, 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 Trevor Mungwazi.

A handwritten signature in black ink that reads "Grant Thornton". The signature is written in a cursive, flowing style.

Trevor Mungwazi

Partner

Registered Public Auditor (PAAB No: 0622)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

30 September 2021

HARARE