

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 31 MARCH 2022



CHAIRMAN'S STATEMENT

It is my pleasure to present the abridged reviewed financial statements for ART Holdings Limited for the Half Year ended 31 March 2022.

OVERVIEW

The macro-economic environment remained challenging and uncertain as continued shortages of foreign currency, depreciation of the local currency and the inflationary upcycle dampened market improvements which followed the easing of COVID 19 restrictions.

The Group remained resilient despite the challenges and registered moderate volume growth across its business units. The demand for batteries in the region remained strong and the favourable trading conditions in the Zambian market anchored the strong export performance. The Group continued to engage the monetary authorities on the unfavourable export proceeds retention threshold which poses a significant risk to the viability of exports.

FINANCIAL PERFORMANCE

The Group posted revenues of ZWL\$3,609 billion in inflation adjusted terms, an increase of 18% compared to the prior year. Overall volumes for the period grew by 9%, with strong performance from the battery export market and volume recovery in all the paper units. The historical turnover achieved of ZWL\$2,957 billion represents an increase of 100% from the prior year reflecting the impact of increased foreign currency sales recorded at the prevailing official market exchange rates. The Directors would like to advise users to continue to exercise caution in their use of the Group's Abridged Financial Results due to the distortions brought about by the continued existence of multiple exchange rates.

Gross margins declined by 5 percentage points to 34% reflecting the impact of increased export volumes and the general increases of input costs. Overall, margins remained strong as stringent cost control was maintained across the divisions.

The battery business performance in the local market was subdued during the period due to the cumulative impact of the pandemic which exacerbated already high levels of pressure on consumers from inflation and currency instability. Total battery volumes increased by 6% compared to prior year.

The paper business segment volumes recovered as the foreign currency auction market induced pricing distortions reduced in the second quarter. The relentless focus on supply chain improvements and cost efficiencies yielded positive results. Paper volumes increased by 1% compared to prior year.

Eversharp performed well on the back of strong demand driven by the year end national examinations and back to school preparations. Volumes increased by 39% compared to the prior year.

Mutare timber volumes increased by 10% compared to the prior year. Harvesting was affected in the second quarter by incessant rains. Timber demand remained firm.

UPDATE ON PROJECTS

The installation of the Tissue Mill and the new tissue converting line in Kadoma is progressing well and is expected to be complete by year end. The Board is fully aware of the challenges that lie ahead to secure raw materials and sustain production given the prevailing environment. The Group believes that this investment puts it at a critical inflection point and will approach the challenges and the new realities of doing business with a positive and proactive mindset.

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended	INFLATION ADJUSTED		HISTORICAL	
	31 Mar 2022 ZWL\$ 000	31 Mar 2021 ZWL\$ 000	31 Mar 2022 ZWL\$ 000	31 Mar 2021 ZWL\$ 000
Revenue from contracts with customers	3,609,428	3,047,436	2,956,530	1,478,988
Cost of sales	(2,381,402)	(1,848,458)	(1,833,731)	(831,972)
Gross profit	1,228,026	1,198,978	1,122,799	647,016
Other income	54,151	18,155	48,205	9,678
Total operating expenses	(1,061,671)	(838,583)	(930,297)	(453,605)
Selling and distribution expenses	(378,403)	(174,891)	(268,926)	(78,275)
Administration expenses	(683,268)	(663,692)	(661,371)	(375,330)
Operating profit before fair value adjustments and impairments	220,506	378,550	240,707	203,089
Share of profit – associate and joint venture	3,692	(18,185)	3,345	(85)
Profit/(loss) on disposal of properties	(1,412)	(991)	468	(215)
Exchange loss	(99,698)	(60,927)	(92,812)	(33,092)
Net monetary loss	(160,922)	(248,567)	-	-
Fire loss	(3,660)	-	(3,054)	-
Operating (loss)/profit before interest and tax	(41,494)	49,880	148,654	169,697
Finance income	689	85	609	45
Finance costs	(38,489)	(60,085)	(34,171)	(33,277)
(Loss)/profit before tax	(79,294)	(10,120)	115,092	136,465
Income tax (expense)/credit	(13,858)	(773,094)	22,458	50,631
(Loss)/profit after tax	(65,436)	(783,214)	137,550	187,096
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Translation of foreign subsidiaries	15,115	19,021	15,266	(8,063)
Total comprehensive income/(loss) for the year, net of tax	15,115	19,021	15,266	(8,063)
Attributable (loss)/earnings	(50,321)	(764,193)	152,816	179,033
Earnings per share (cents)				
Basic	(13.84)	(165.65)	29.09	39.57
Diluted	(13.84)	(165.65)	29.09	39.57
Headline	(13.54)	(165.64)	28.99	39.62

SUSTAINABILITY REPORTING

The Group continues to deepen its commitment to sustainability practices especially with focus on its role in recycling paper and batteries. Lead is a substance with serious negative health and environmental impacts. The significant improvements in systems and efficiencies at the Chloride factory underpin our commitment to our sustainability strategy.

DIVIDEND

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

DIRECTORATE

Dr Oliver Mtasa retired from the Board on the 11th of March 2022. We thank him immensely for the valuable contribution over the years and wish him well in his future endeavours.

IMPACT OF COVID

The Group continues to observe the Covid protocols and business continuity strategies instituted in response to the pandemic. The reduced Covid cases globally and the successful vaccination program has seen the significant reduction of the risk and impact on the Group.

GOING CONCERN

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future.

OUTLOOK

We have confidence in the Group's resilience and ability to work with strategic stakeholders to mitigate risks and unlock opportunities in our markets. The focus on cost containment and cash preservation should enable the business to sustain its positive trajectory.

APPRECIATION

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 support and contribution during the period under review.



Dr T U Wushe
CHAIRMAN

31 May 2022

GROUP STATEMENT OF FINANCIAL POSITION

As at	INFLATION ADJUSTED		HISTORICAL	
	31 Mar 2022 ZWL\$ 000	30 Sept 2021 ZWL\$ 000	31 Mar 2022 ZWL\$ 000	30 Sept 2021 ZWL\$ 000
ASSETS				
Non-current assets				
Property, plant and equipment	3,307,119	3,184,698	2,350,852	2,186,356
Investment property	889,986	894,605	624,422	627,303
Biological assets	725,463	701,476	517,691	491,880
Goodwill	121,468	121,468	89,394	89,394
Investment in joint venture and associate	77,058	73,366	12,790	9,444
Lease right of use	50,397	100,795	14,788	29,575
Total non-current assets	5,171,491	5,076,408	3,609,937	3,433,952
Current assets				
Inventories	1,338,370	1,378,098	1,313,212	913,423
Trade and other receivables	599,724	585,858	596,840	408,215
Cash and cash equivalence	121,598	76,367	121,598	53,549
Total Current Assets	2,059,692	2,040,323	2,031,650	1,375,187
TOTAL ASSETS	7,231,183	7,116,731	5,641,587	4,809,139
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	3,498	3,498	47	47
Share premium	325,844	325,844	4,378	4,378
Reserves	3,980,373	4,030,694	3,056,390	2,903,574
Shareholders' equity	4,309,715	4,360,036	3,060,815	2,907,999
Non-current liabilities				
Deferred tax liabilities	890,343	870,116	555,316	573,342
Interest bearing loans and borrowings	21,732	30,202	21,732	21,732
Total non-current liabilities	912,075	900,318	577,048	595,074
Current liabilities				
Trade and other payables	1,320,151	1,012,119	1,349,883	775,287
Provisions	74,715	91,132	57,427	11,867
Income tax payable	125,901	276,172	125,901	200,377
Interest bearing loans and borrowings	379,640	391,900	379,640	274,803
Lease liability	33,890	67,780	15,777	31,554
Bank overdrafts	75,096	17,274	75,096	12,178
Total current liabilities	2,009,393	1,856,377	2,003,724	1,306,066
Total liabilities	2,921,468	2,756,695	2,580,772	1,901,140
TOTAL EQUITY AND LIABILITIES	7,231,183	7,116,731	5,641,587	4,809,139

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 31 MARCH 2022



GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital ZWL\$000	Share Premium ZWL\$000	Non-distributable Reserves ZWL\$000	Retained Earnings ZWL\$000	Total ZWL\$000
INFLATION ADJUSTED					
At 30 September 2020	3,498	325,844	1,006,516	3,914,097	5,249,955
Profit for the year	-	-	-	(941,946)	(941,946)
Other comprehensive income/(Loss)	-	-	52,027	-	52,027
Transfer between reserves	-	-	(2,677)	2,677	-
At 30 September 2021	3,498	325,844	1,055,866	2,974,828	4,360,036
Profit for the year	-	-	-	(65,436)	(65,436)
Other comprehensive income	-	-	15,115	-	15,115
Transfer between reserves	-	-	-	-	-
At 31 March 2022	3,498	325,844	1,070,981	2,909,392	4,309,715
HISTORICAL					
At 30 September 2020	47	4,378	929,028	748,166	1,681,619
Profit for the year	-	-	-	773,420	773,420
Other comprehensive income/(Loss)	-	-	452,960	-	452,960
Transfer between reserves	-	-	(36)	36	-
At 30 September 2021	47	4,378	1,381,952	1,521,622	2,907,999
Profit for the year	-	-	-	137,550	137,550
Other comprehensive income	-	-	15,266	-	15,266
Transfer between reserves	-	-	-	-	-
At 31 March 2022	47	4,378	1,397,218	1,659,172	3,060,815

GROUP STATEMENT OF CASH FLOWS

For the half year ended	INFLATION ADJUSTED		HISTORICAL	
	31 Mar 2022 ZWL\$ 000	31 Mar 2021 ZWL\$ 000	31 Mar 2022 ZWL\$ 000	31 Mar 2021 ZWL\$ 000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	441,041	216,168	409,151	120,467
Finance income	689	85	609	45
Finance costs	(22,283)	(45,754)	(21,820)	(26,417)
Tax paid	(101,803)	(16,883)	(78,309)	(8,939)
Cash generated from operating activities	317,644	153,616	309,631	85,156
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(275,138)	(200,005)	(268,856)	(108,415)
Costs capitalized to biological assets	(73,876)	(52,838)	(51,377)	(28,202)
Proceeds on disposal of property, plant and equipment	1,942	192	1,617	107
Dividends received	722	357	621	188
Cash utilized in investing activities	(346,350)	(252,294)	(317,995)	(136,322)
CASH UTILIZED IN FINANCING ACTIVITIES:				
Proceeds from borrowings	123,825	186,167	103,187	98,001
Repayment of borrowings	(107,709)	(135,859)	(89,757)	(71,518)
Cash generated from financing activities	16,116	50,308	13,430	26,483
(Decrease)/increase in cash and cash equivalents	(12,590)	(48,370)	5,066	(24,683)
Cash and cash equivalents at the beginning of the period	59,092	28,534	41,436	13,197
Cash and cash equivalents at the end of the period	46,502	(19,836)	46,502	(11,486)
Comprising:				
Cash resources	121,598	90,004	121,598	52,116
Overdrafts	(75,096)	(109,840)	(75,096)	(63,602)
Cash and cash equivalents at the end of the period	46,502	(19,836)	46,502	(11,486)

GROUP SEGMENT RESULTS

	Batteries ZWL\$ 000	Eversharp ZWL\$ 000	Paper ZWL\$ 000	Forestry ZWL\$ 000	Central Administration ZWL\$ 000	Group ZWL\$ 000
INFLATION ADJUSTED						
March 2022						
Revenue from contracts with customers	2,319,618	463,592	699,872	126,346	-	3,609,428
Operating profit	416,310	47,264	(212,308)	38,496	(69,256)	220,506
Finance cost	(3,339)	(248)	(4,896)	-	(30,006)	(38,489)
Net Segment assets	2,079,589	116,472	644,966	1,546,849	(78,161)	4,309,715
Capital expenditure	(49,143)	(19,142)	(203,287)	(3,379)	(187)	(275,138)
Depreciation	(95,437)	(34,008)	(37,577)	(17,786)	(14,929)	(199,737)
HISTORICAL						
March 2022						
Revenue from contracts with customers	1,845,782	397,774	603,717	109,257	-	2,956,530
Operating profit	369,180	51,013	(186,258)	32,801	(26,029)	240,707
Finance cost	(3,338)	(211)	(4,026)	-	(26,596)	(34,171)
Net Segment assets	1,849,563	82,073	349,181	1,112,347	(332,349)	3,060,815
Capital expenditure	(64,951)	(15,952)	(184,807)	(3,006)	(141)	(268,856)
Depreciation	(82,073)	(14,459)	(26,704)	16,169	(11,806)	(151,211)

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 half year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on 31 May 2022. 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 202 Seke Road, Graniteside, 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 sources of the price indices used were the Zimbabwe Statistical office from 2009 to March 2021.

	Indices	Conversion factor
CPI as at 31 March 2022	4,766.10	1.000
CPI as at 30 September 2021	3,342.02	1.426
CPI as at 31 March 2022	2,759.83	1.727

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 (\$000), except when otherwise indicated.

4. STATEMENT OF ACCOUNTING POLICY

The accounting policies in the preparation of the 2022 half 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 2021.

5. BORROWINGS - INFLATION ADJUSTED

ZWL 000's	31 March 2022			30 September 2021		
	Short-term and Overdraft	Long-term	Total	Short-term and Overdraft	Long-term	Total
Group	454,736	21,732	476,468	409,174	30,202	439,376

The Borrowings are secured by non-current assets with a net book value of ZWL\$2.000 billion (2021: ZWL\$2.148 billion).

The average cost of borrowings is 50%

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).

INDEPENDENT EXTERNAL AUDITOR'S STATEMENT

These abridged interim consolidated financial results for the six months ended 31 March 2022 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and an adverse review conclusion was 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, IAS 29 - Financial Reporting in Hyperinflationary Economies and the valuation of investment properties; and property plant and equipment.

The review conclusion has been made available to management and those charged with governance. The Independent Review Report on the consolidated interim financial statements is available for inspection at the Company's registered office.

The Engagement Partner on the review resulting in this auditor's report is Farai Chibisa (PAAB Number 0547).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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To the members of ART Holdings Limited

We have reviewed the accompanying inflation adjusted statement of financial position of ART Holdings Limited as at 31 March 2022 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 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 Adverse Conclusion

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

During the prior and current financial period ended 31 March 2022, the foreign currency denominated transactions and balances of the company were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the interim financial information for the six months ended 31 March 2022.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

Non-compliance with International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies.

Although IAS 29 - *Financial Reporting in Hyperinflationary Economies* has been applied correctly, its application was based on financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements for the six months ended 31 March 2022.

Valuation of investment properties; and property, plant and equipment.

The determination of fair values for assets presented in the financial statements is affected by the prevailing economic environment. These financial results include investment properties carried at fair value; and property, plant and equipment that was revalued by independent professional valuers as at 30 September 2021 in accordance with IFRS 13 "*Fair value measurement*". The valuations for investment property and property, plant and equipment were determined in USD and then translated to ZWL using an exchange rate estimated by management as at 30 September 2021.

Although the determined USD values as at 30 September 2021 reflected the fair value of the investment properties; and property, plant and equipment in USD as at that date, the converted ZWL fair values were not in compliance with IFRS 13 as they did not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment in ZWL. No subsequent revaluations were done in the financial statements.

Conclusion

Based on our review, the accompanying interim financial information do not present fairly, in all material respects the financial position of ART Holdings Limited as at 31 March 2022, and of its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards (IFRSs).

The engagement partner on the review engagement resulting in this independent review conclusion is Farai Chibisa.

Grant Thornton

Farai Chibisa

Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

03 June 2022

HARARE