

# **GB Holdings Limited**

# REVIEWED ADBRIDGED INTERIM FINANCIAL RESULTS

## FOR THE HALF YEAR ENDED 30 JUNE 2023

## CHAIRMAN'S STATEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2023

The reviewed interim results for the six month period ended 30 June 2023 are hereby presented to you. Commentary is on inflation adjusted figures.

Faced with unrelenting exchange rate deterioration and the attendant inflation, measures to rein in both were implemented at the beginning of the year. The measures took effect as both the exchange and inflation rates decelerated. However, the inadvertent effects of tight local liquidity and high interest rates reduced aggregate demand in the economy. Contrary to expectation, the rate of dollarization intensified upsetting local cost structures and price competitiveness. There was improved power supply stability following increased thermal power generation at Hwange power station. In the intervening period, the Russia Ukraine conflict raged, perpetuating supply chain constraints which inevitably prompted global price inflation on food, fuels and critical raw

The Company's strategic pursuit to deliver a commensurate value proposition to its customers was on course as it refurbished the boiler in the first half of the year as part of its in-process efficiency enhancement and compliance with the statutory requirements. In addition, the planned plant maintenance was on course and refurbishment of a belt press was completed awaiting commissioning. Following the shutdown, the improved plant efficiency benefited the company through accelerated order conversion, price competitiveness and timeous delivery to customers.

## **GROUP PERFORMANCE**

Total volumes at 402 metric tonnes were 18 % lower than the same prior year period's 490 metric as production was curtailed during plant refurbishment at General Beltings and reduced aggregate demand at Cernol Chemicals. Nevertheless, turnover at ZWL 8.6 billion was a 162 % increase

from the prior year's 3.281 billion due to a firm order book at General Beltings which was buoyed by steady demand from the mining sector. Cernol Chemicals recovery was slow in the period as post COVID 19 effects lingered on and culminated into non-consummation of the envisaged quasi

The gross profit at ZWL 4.4 billion increased by 238 % as the company benefited from improved plant availability and in-process efficiencies at General Beltings. Cernol Chemicals market recovery efforts in its traditional markets were encouraging as the product and market mix were favourable Operating costs were contained within inflationary limits despite the rapid dollarization in the economy. An overall operating profit of ZWL 3,3 billion was recorded against the prior year's ZWL 41 million despite Cernol Chemicals Division posting an operating loss.

## OUTLOOK

The Government of Zimbabwe has committed to completing the various projects envisioned in the National Development Strategy 1 (NDS 1) which are anchored by the growth in the mining sector and agriculture among others. This envisaged growth will be powered by improved power supply and critical skills availability. The Company will continue to consolidate its market positioning in the mining, power supply and agricultural sectors through accelerated order conversion and timeous delivery to customers. It is envisaged that the enhanced manufacturing capacity will further reduce in process costs as the Company pursues its commensurate value delivery proposition strategy

The conclusion of the just ended harmonised elections is expected to trigger more economic activity in all economic sectors as the new 5-year term commences. Cernol Chemicals is expected to further consolidate its position in the hospitality sector as the tourism sector rebounds in the

Inflation Adjusted

fourth quarter.

## DIVIDEND

At their meeting on 21 September 2023, the Board considered the need for additional working capital and resolved not to pay an interim dividend for the period under review.

## **APPRECIATION**

The Company withstood the headwinds in the first half of the year and benefited from the symbiotic relationship of the two operating divisions despite mixed fortunes. Our employees remained loyal together with management and the counsel from the Board enabled the business contain the challenges that arose along the way. It is against this background that I thank all of you and look forward to the same support as the business navigates the fourth quarter of the year.

G G Nhemachena Chairman 30 September 2023

## INDEPENDENT AUDITORS REPORT

These abridged interim financial results for the six months ended 30 June 2023 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 International Accounting Standard (IAS 2) - Inventories

The review conclusion has been made available to management and those charged with the governance of the company The Independent Review Report on the abridged interim financial results is available for inspection at the company's

The engagement partner responsible for the review is Trevor Mugwazi PAAB number 0622

### **Abridged Statement of financial position** as at 30 June 2023

		Inflation Adjusted Hist			Historical cost
	Notes	Reviewed 30 June 2023 ZWL	Audited 31 Dec 2022 ZWL	Reviewed 30 June 2023 ZWL	Audited 31 Dec 2022 ZWL
ASSETS					
Non-current assets Property, plant and equipment	7	14 410 626 880	14 839 518 991	4 672 503 035	4 750 549 209
Current assets Inventories Trade and other receivables Cash and cash equivalents	8 9 10	1 571 645 949 4 374 588 592 765 206 732 6 711 441 273	1 270 720 410 1 865 552 623 154 840 766 3 291 113 799	1 287 278 184 4 374 588 592 765 206 732 6 427 073 508	400 698 083 597 216 092 49 568 903 1 047 483 078
Total assets		21 122 068 153	18 130 632 790	11 099 576 543	5 798 032 287
EQUITY AND LIABILITIES					
Capital and reserves Share capital Share options reserve Revaluation reserve Retained earnings		307 742 799 11 011 543 7 705 866 967 5 826 298 678		536 588 19 200 3 552 679 230 2 531 337 377	536 588 19 200 3 552 679 230 220 023 651
<b>Non-current liabilities</b> Deferred tax liability			11 945 058 979 3 407 119 135		3 773 258 669 1 135 311 792
		3 237 616 195	3 407 119 135	981 472 177	1 135 311 792
Current liabilities Trade and other payables Corporate tax payable	11	2 987 728 316 1 045 803 655 4 033 531 971		2 987 728 316 1 045 803 655 4 033 531 971	
Total liabilities		7 271 148 166	6 185 573 811	5 015 004 148	2 024 773 618
Total equity and liabilities		21 122 068 153	18 130 632 790	11 099 576 543	5 798 032 287

# Abridged Statement of profit or loss and other comprehensive income

for the	e six months	ended 30 .	June 2023	
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	Inflation Adjusted Historical cost			
Notes	Reviewed 30 June 2023 ZWL	Reviewed 30 June 2022 ZWL	Reviewed 30 June 2023 ZWL	Reviewed 30 June 2022 ZWL
Revenue 12	8 617 763 035	3 281 544 630	4 748 131 303	433 734 699
Cost of sales	(4 167 407 741)	(1 917 898 909)	(2 137 432 110)	(234 279 388)
Gross profit	4 450 355 294	1 363 645 721	2 610 699 193	199 455 311
Other income	4 105 643 412	27 918 795	3 380 039 687	5 236 733
Operating expenses	(5 221 663 411)	(1 274 242 864)	(2 865 850 804)	(196 183 949)
Profit from operations	3 334 335 295	117 321 652	3 124 888 076	8 508 095
Finance costs	(1 652 826)	(75 808 023)	(648 167)	(8 812 662)
Profit /(loss) before tax and monetary loss	3 332 682 469	41 513 629	3 124 239 909	(304 567)
Net monetary loss	(546 727 344)	(201 456 254)		
Profit / (loss) before tax	2 785 955 125	(159 942 625)	3 124 239 909	(304 567)
Income tax expense 13	(880 094 117)	(56 866 442)	(812 926 183)	(6 673 548)
Profit / (loss) for the year	1 905 861 008	(216 809 067)	2 311 313 726	(6 978 115)
Other comprehensive income:				
Revaluation of property, plant and equipment; net of tax				
Total comprehensive income / (loss) for the year	1 905 861 008	(216 809 067)	2 311 313 726	(6 978 115)
Number of shares in issue(000s) Basic (loss)/earnings per share (cents) Diluted (loss)/earnings per share (cents) Headline (loss)/earnings per share (cents)	576,000 6.21 5.25 5.25	(0.08) (0.30)	576,000 5.82 5.89 5.89	576,000 (0.001) (0.001) (0.001)

### Abridged Statement of changes in equity for the six months ended 30 June 2023

	Share capital ZWL	Share option reserve ZWL	Revaluation reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2022	307 742 799	11 011 543		3 592 270 552	3 911 024 894
Total comprehensive loss for the year			7 705 866 967	328 167 118	8 034 034 085
Balance at 31 December 2022	307 742 799	11 011 543	7 705 866 967	3 920 437 670	11 945 058 979
Total comprehensive income for the period				1 905 861 008	1 905 861 008
Balance at 31 June 2023	307 742 799	11 011 543	7 705 866 967	5 826 298 678	13 850 919 987

	Historical cost				
	Share capital ZWL	Share options reserve ZWL	Revaluation reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2022	536 588	19 200		48 119 728	48 675 516
Total comprehensive income for the period			3 552 679 230	171 903 923	3 724 583 153
Balance at 31 December 2022	536 588	19 200	3 552 679 230	220 023 651	3 773 258 669
Total comprehensive income for the period				2 311 313 726	2 311 313 726
Balance at 30 June 2023	536 588	19 200	3 552 679 230	2 531 337 377	6 084 572 395

## Abridged Statement of cash flows for the six months ended 30 June 2023

for the six months ended so Julie 2023				
	Inflation Adjusted Historical Cost			
	Reviewed 30 June 2023 ZWL	Reviewed 30 June 2022 ZWL	Reviewed 30 June 2023 ZWL	Reviewed 30 June 2022 ZWL
CASH FLOWS FROM OPERATING ACTIVITES				
Profit / (loss) before tax	2 785 955 125	(159 942 625)	3 124 239 909	(304 567)
Adjusted for: Depreciation charge for the period Interest expense Deferred revenue Monetary loss	461 519 346 1 652 826 - 546 727 344	13 203 556 75 808 023 496 095 201 456 254	90 619 841 648 167 - -	1 540 733 8 812 662 789
Operating cash inflows before working capital changes	3 795 854 641	131 021 303	3 215 507 917	10 049 617
Changes in working capital (Increase) / decrease in inventories (Increase) / decrease in trade and other receivables Increase / (decrease) in trade and other payables	(300 925 539) (2 509 035 969)	332 344 456 776 599 093	(886 580 101) (3 777 372 500)	(15 166 079) (12 044 429)
	507 339 683	(474 958 361)	2 193 685 850	62 604 692
Cash generated from/(utilised in) operating activities	1 493 232 816	765 006 491	745 241 166	45 443 801
Income tax paid	(16 381 503)		(16 381 503)	-
Net cash generated from operating activities	1 476 851 313	765 006 491	728 859 663	45 443 801
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of equipment	(32 627 235)	(5 536 768)	(12 573 667)	(617 860)
Net cash utilised in investing activities	(32 627 235)	(5 536 768)	(12 573 667)	(617 860)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid Repayment on borrowings	(1 652 826)	(75 808 023) (368 809 775)	(648 167)	(8 812 662) (20 764 903)
Net cash outflows from financing activities	(1 652 826)	(444 617 798)	(648 167)	(29 577 565)
NET INCREASE IN CASH AND CASH				
EQUIVALENTS	1 442 571 252	314 851 925	715 637 829	15 248 376

## Notes to the abridged reviewed financial statements Nature of operations

The main business of the Company, which is incorporated in Zimbabwe (Registration Number 510/68), is that of

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

The abridged interim financial results are for the six months ended 30 June 2023 and are presented in Zimbabwe dollars (ZWL), which is the functional and presentation currency of the Company and all values are rounded to the

The abridged financial results have been prepared in accordance with International Accounting Standard (IAS) 34 - interim Financial Reporting " as well as the requirements of the Securities and Exchange (Zimbabwe Stock Exchange) (ZSE) Listing Rules and in the manner required by the Companies and Other Business Entities Ac (Chapter 24:31). The abridged financial results are presented in Zimbabwe dollars and are based on the historica cost approach and restated to take account of the effects of inflation in accordance with International Accounting Standard 29 (Financial Reporting in Hyperinflationary Economies) - IAS 29. The historical financial results have been provided by way of supplementary information and the auditors have not expressed an opinion on them

In accordance with IAS 29, the abridged financial results and the corresponding figures for the previous period have been restated to take account of the changes in the general purchasing power of the Zimbabwe dollar and as a result are stated in terms of the measuring unit current at balance sheet date – 30 June 2023. The restatement is based on conversion factors derived from the Total Consumer Poverty Line (TCPL) compiled by the Zimbabwe Central

### Inflation adjustment

IAS 29 requires that the financial results prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for the previous period be restated on the same terms. The standard requires the use of a general Price Index of the hyperinflationary currency as the basis for restatement. However, the lack of accessibility to the ZWL inflation data poses a reporting challenge. The inflation rate was therefore estimated using monthly the Total Consumer Poverty Line (TCPL) which is published by ZIMSTAT in ZWL. The following factors were applied in the preparation of the inflation adjusted

Index	Conversion	factor	
TCPL as at 30 June 2023 TCPL as at 31 December 2022	91 171.62 29 219.01	1.00 3.12	
TCPL as at 30 June 2022	18 425.09	4.91	

## New standards adopted at 1 January 2022

There are no accounting pronouncements which have become effective from 1 January 2023 that have a significant impact on the Company's abridged interim financial results.

## The abridged reviewed Financial results have been prepared in accordance with the accounting policies adopted in

the Company's most recent annual financial results for the year ended 31 December 2022. Estimates and judgements

When preparing the abridged interim financial results, 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 judgements, estimates and assumptions applied in the abridged interim financial results, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial results for the year ended 31 December 2022. The only exceptions are the estimate of income tax liabilities which is determined in the abridged reviewed financial results using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

### Inflation Adjusted **Historical Cost** Reviewed Audited Reviewed Audited 30 June 2023 31 Dec 2022 30 June 2023 31 Dec 2022 Property, plant and equipmen 14 839 518 991 4 569 308 189 4 750 549 209 18 525 195 Opening carrying amount

(461 519 346)

### 14 410 626 880 14 839 518 991 Closing carrying amount 658 364 986 Inventories Raw materials 250 432 727 Finished goods

Consumables

Revaluation

Depreciation Charge

Trade and other receivables Trade receivables Less: Allowance for credit losses Trade receivables-net Other receivables Financial assets other than cash and

71 183 747 25 380 662 848 236 538 927 243 662 848 236 6 057 456 4 381 510 230 1 775 120 157 4 381 510 230 568 266 105 4 365 440 700 1 749 627 093 4 365 440 700 560 105 055 9 147 892 115 925 530 37 111 037 9 147 892

154 840 766

1 299 968 122

433 157

56 866 442

4 374 588 592 1 865 552 623 4 374 588 592 597 216 092

10 236 273 865

(18 060 074)

499 013 369

232 754 418

- 4 719 286 969

(3 183 501)

323 452 346

45 321 731

4 247 172

49 568 903

173 869 959

259 864 740

6 585 241

6 673 548

88 307

(90 619 841)

457 336 505

167 093 443

765 206 732

1 095 885 050

(153 839 615)

812 926 183

4 672 503 035 4 750 549 209

## Cash and cash equivalents

cash equivalents classified as loans and receivables

For the purposes of statement of cash flows, cash and cash equivalents consist of: 13 267 096 Cash in hand 61 270 781 61 270 781

765 206 732

# 11 Trade and other payables

301 730 980 675 623 020 942 531 571 675 623 020 Trade payables 49 654 901 21 254 080 6 804 031 Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at 725 277 921 963 785 651 725 277 921 308 535 011 amortised cost 485 507 455 2 262 450 395 1 516 602 982 2 262 450 395 Other payables Total trade and other payables 2 987 728 316 2 480 388 633 2 987 728 316 12. Revenue Disaggregation of revenue:

1 981 576 508 3 652 246 253 8 617 763 035 3 281 544 630 4 748 131 303 13. Income tax expense

(169 502 940)

880 094 117

## Deferred tax

14. Contingent liabilities

Sale of chemicals

As at 30 June 2023, the rubber division is faced with a potential USD VAT liability arising from transactions between the financial periods 2019 to 2021. The division during that period, remitted VAT in the local ZWL for both USD and ZWL transactions contrary to Section 4 (a) of the Finance Act Chapter (23:04) which requires VAT to be remitted in the currency of the transaction. The total VAT which was supposed to be remitted in USD amounts to USD 278 068.

nowever, the total exposure to this liability can not be ascertained as the issue is still yet to be finalised by ZIMRA.

Goina concern The Directors have assessed the ability of the entity to continue operating as a going concern and believe that the preparation of these financial results on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the entity to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these abridged reviewed financial results.



# REPORT ON REVIEW OF THE ABRIDGED INTERIM FINANCIAL INFORMATION

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## To the members of GB Holdings Limited

We have reviewed the accompanying abridged interim inflation adjusted statement of financial position of GB Holdings Limited as at 30 June 2023 and the related abridged interim inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity, inflation adjusted 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 abridged interim financial information

Management is responsible for the preparation and fair presentation of this abridged 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 abridged financial information that is free of material misstatement whether due to fraud or error.

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

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 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 (IAS) 2 - Inventories

During the six-month month period ended 30 June 2023, the General Beltings division did not include costs of conversion, fixed and variable production overheads that are incurred in converting raw materials into finished goods. The division only included the cost of purchase of raw materials in the valuation of finished goods, this accounting treatment constitutes a departure from the requirements of IAS 2 paragraph 10, in that the cost of inventories did not include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The effects of the non-compliance with the requirements of IAS 2 have been considered to be material but not pervasive to the financial information.

## **Qualified Conclusion**

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying abridged interim financial information does not present fairly, in all material respects the financial position of GB Holdings Limited as at 30 June 2023, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards (IFRS).

The engagement partner on the review engagement resulting in this independent review conclusion is Trevor Mungwazi.

Grant Thornton

Trevor Mungwazi

**Partner** 

Registered Public Auditor (PAAB No: 0622)

**Grant Thornton** 

Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

27 September 2023