

SALIENT FEATURES

FOR THE HALF YEAR ENDED 30 JUNE 2023

REVENUE	LOSS FROM OPERATING ACTIVITIES	PROFIT BEFORE TAXATION	PROFIT FOR THE PERIOD
ZWL '000	ZWL '000	ZWL '000	ZWL '000
17,984,798	(5,030,681)	11,538,943	10,628,640
↑41%	↓268%	↑247%	↑308%



Chairman's Statement

Background

The company started on a major restructuring and recovery plan in the first quarter of 2023 and the results should be viewed in this context.

The first key element of the restructuring which is focused on Turnall's core business of roof sheeting was to take action to address quality issues and manufacturing efficiency at the Bulawayo plant and to begin a large investment to reinstate manufacturing at the Harare factory, providing the much needed capacity and critical mass. This additional capacity will come on stream in the third quarter of 2024.

Disruption to the supply of asbestos fibre caused by the war in Ukraine has had a major impact on the business, but from September 2023 onwards, alternative arrangements will come on stream. Lead times of over 9 months for key equipment required to address quality and production problems added to the headwinds experienced during the first half of the year, headwinds which are not to abate until the fourth quarter of 2023.

Due to the manufacturing constraints mentioned above, the company was not able to meet demand and although the Bulawayo factory will be operating at full capacity from September 2023 onwards, it is anticipated that sales demand will continue to exceed production capacity until the new machine in Harare comes on stream.

A significant investment is also focussed on Turnall's roofing tile business which currently represent approximately 15% of Group turnover. This investment which is targeted on improving quality, output and manufacturing efficiency will start to yield results in the fourth quarter of 2023.

Financial Performance

The Group's turnover for the half year was \$18 billion in inflation-adjusted terms compared to \$12.7 billion in the previous year same period, representing a 41% growth despite a 6% reduction in sales volumes. In historical terms, revenue was \$11.4 billion which was a 547% growth from last year. The sales performance was mainly driven by a deliberate move to focus on the high value but low tonnage products. However, the liquidity challenges and low aggregate demand prevailing in the economy hampered the Group's efforts to realize its full potential. Business performance was also affected by stock outs owing to shortages of key raw materials which are normally obtained from Russia. The supply challenges were due to the war between Russia and Ukraine and the subsequent sanctions imposed on Russia. The company has since secured alternative sources for fibre and normal supplies are expected in the third quarter of 2023.

The inflation-adjusted gross margin for the year under review was at 23% compared to 51% achieved in the same period last year. The margins were under pressure due to the official and alternative market exchange rate disparities whose negative impact on the cost of doing business could not always be sustainably recouped through selling price adjustments. Consequently, the cost of goods sold went up by 122%, whilst revenue grew by 41%. The gross margin in historical terms, however, was 60% compared to 58% reported in the same period last year.

The inflation adjusted operating expenses to sales ratio was 55% compared to 28% in the same period last year and in historical terms was 42% compared to 27% recorded in the same period last year. There was a notable increase in the distribution costs and the depreciation charge for the period. For the latter, the increase was due to the revaluation of property, plant and equipment carried out in December 2022. Cost containment initiatives remain a key priority for management.

The Group incurred an exchange loss amounting to \$14.7 billion due to the sharp increase in exchange rates during the first half of the year and this impacted negatively on the group's performance. A total exchange loss of ZWL8.8 billion arose from outstanding terminal benefits for former employees.

Other income was \$773 million representing an 8% growth compared to last year same period and it arose mainly from exchange gains realized on foreign currency denominated assets. A fair value gain of \$3.5 billion was realized on the investment properties during the same period.

In inflation-adjusted terms, the Group recorded a profit before tax of ZWL11.5 billion representing a growth of 247% compared to last year same period. The growth in profit is mainly attributed to the net monetary gain of \$27.7 billion realized during the period compared to a loss of ZWL222 million incurred last year.

The group had a positive cashflow from operations of ZWL16.9 billion representing a 296% growth compared to the same period last year. The company funded its operations from internally generated funds and through short-term loans amounting to ZWL2.9 billion. An advance of ZWL17 billion was received from the rights offer and was channeled towards capital projects which are currently underway. The Group is embarking on a massive expansion drive in order to grow its revenue base and profitability in the future.

Capital expenditure for the period was \$269 million compared to \$590.5 million in inflation-adjusted terms spent last year and this was mainly aimed at improving production efficiencies.

Sustainability Performance

We continue to apply an integrated approach in managing our sustainability impacts and opportunities. The company adopted the Global Reporting Initiatives (GRI) Sustainability Reporting Framework as a business model in addressing and managing economic, environmental, social and governance aspects of our operations.

Legislative Environment

Turnall Holdings Limited has continued to uphold its ISO14001 and ISO9001 certification. We continue to comply with relevant legislative requirements of the Environmental Management Act, Labour Act, Companies Act and other related legislations.

Prospects

Despite the challenges experienced in the first half of 2023, the board and management are confident that the recovery is on track and with the improved fibre supply in the second half of the year, re-capitalization initiatives, continued cost containment initiatives, enhancement of production efficiencies and the improved product offering, the Group is geared for material improvements in its performance. The focus now is on delivering on re-capitalizing the plants with the main projects being to purchase a new fibre cement sheeting plant for Harare, upgrading key elements of the Bulawayo sheeting machine and in establishing a presence in the GRP market leading to the installation of a glass reinforced plastic (GRP) pipe manufacturing facility in Zimbabwe. The anticipated benefits will include improved product offering, increased production capacities and efficiencies, better quality products, increased uptake from customers and the resumption of export sales.

Dividend

The directors have resolved that there will not be any dividend declared in respect of the half year under review due to the major projects that the Group is undertaking in an effort to retool the factories.

Appreciation

I would like to express my appreciation to all our stakeholders, fellow board members, management, and staff for your continued support to the group.

By Order of the Board

G. Hampshire

Grenville Hampshire
Board Chairman
7 September 2023

INDEPENDENT AUDITOR'S STATEMENT

These abridged interim consolidated financial results for the six months ended 30 June 2023 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a qualified review conclusion was issued thereon. This review conclusion is modified with respect to non-compliance with IFRS 13 – Fair Value measurement on the property, plant and equipment, and investment property.

The engagement partner on the review engagement resulting in this independent review conclusion is Edmore Chimhowa (PAAB 0470).

Abridged Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 30 June 2023

	Inflation Adjusted		*Historical Cost	
	Reviewed six months ended 30.06.2023 ZWL	Reviewed six months ended 30.06.2022 ZWL	Reviewed six months ended 30.06.2023 ZWL	Reviewed six months ended 30.06.2022 ZWL
Revenue	17,984,798,374	12,719,078,911	11,406,633,650	1,762,583,392
Cost of sales	(13,923,288,303)	(6,265,365,076)	(4,519,432,115)	(745,653,588)
Gross profit	4,061,510,071	6,453,713,835	6,887,201,535	1,016,929,804
Other income	773,715,173	156,003,306	330,421,973	16,747,724
Selling and distribution expenses	(2,246,202,162)	(1,430,446,389)	(1,455,428,743)	(200,808,323)
Administrative expenses	(7,619,703,828)	(2,185,557,886)	(3,282,395,925)	(270,523,140)
Operating (loss)/profit before fair value adjustments	(5,030,680,746)	2,993,712,866	2,479,798,840	562,346,065
Fair value adjustments on investment property	3,507,681,400	-	3,507,681,400	-
Foreign exchange (loss)/gain	(14,668,044,886)	562,051,419	(12,293,242,950)	113,586,311
Finance costs	(6,543,758)	(6,175,641)	(2,985,619)	(663,300)
Gain/(loss) on net monetary position	27,736,530,822	(221,991,290)	-	-
Profit/(loss) before taxation	11,538,942,832	3,327,597,354	(6,308,748,329)	675,269,076
Income tax expense	(910,303,247)	(721,946,149)	(572,578,401)	(165,794,960)
Profit/(loss) for the period	10,628,639,585	2,605,651,205	(6,881,326,730)	509,474,116
Total comprehensive income/(loss) for the period	10,628,639,585	2,605,651,205	(6,881,326,730)	509,474,116
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)	2,155.73	528.49	(1,395.69)	103.33
Headline (cents per share)	4,419.31	528.49	386.22	103.33

*The historical cost 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.

Abridged Consolidated Statement of Financial Position as at 30 June 2023

	Inflation Adjusted		*Historical Cost	
	Reviewed as at 30.06.2023 ZWL	Audited as at 31.12.2022 ZWL	Reviewed as at 30.06.2023 ZWL	Audited as at 31.12.2022 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment	40,784,511,075	46,794,028,685	14,297,433,471	14,551,582,794
Right-of-use asset	71,248,161	111,171,195	7,722,395	11,161,116
Investment property	3,977,681,400	1,466,533,651	3,977,681,400	470,000,000
Investments in financial assets	477,902	1,491,190	477,902	477,902
Deferred taxation	524,046,499	497,007,652	524,047,540	159,283,849
Total non-current assets	45,357,965,037	48,870,232,373	18,807,362,708	15,192,505,661
Current assets				
Inventories	7,417,690,705	7,082,334,687	1,610,625,401	885,161,440
Trade and other receivables	41,977,008,918	4,105,808,896	26,473,187,531	1,150,507,459
Cash and cash equivalents	1,538,691,150	1,282,626,902	1,538,691,150	411,060,901
Total current assets	50,933,390,773	12,470,770,485	29,622,504,082	2,446,729,800
Total assets	96,291,355,810	61,341,002,858	48,429,866,790	17,639,235,461
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	3,280,793,238	3,280,793,238	4,930,403	4,930,403
Share premium	121,045,388	121,045,388	181,908	181,908
Non-distributable reserve	5,093,956,083	5,093,956,083	7,655,239	7,655,239
Revaluation reserve	33,003,100,463	33,924,187,828	10,493,394,889	10,872,146,216
Other components of equity	17,000,000,000	-	17,000,000,000	-
Retained earnings/(accumulated loss)	10,569,585,800	(980,141,150)	(6,001,147,443)	501,427,960
Total equity	69,068,480,972	41,439,841,387	21,505,014,996	11,386,341,726
Non-current liabilities				
Lease liability	35,737,857	18,421,282	35,737,857	5,903,719
Deferred taxation	3,679,356,124	11,502,187,429	3,381,333,080	3,561,160,206
Total non-current liabilities	3,715,093,981	11,520,608,711	3,417,070,937	3,567,063,925
Current liabilities				
Loans and borrowings	2,909,693,917	-	2,909,693,917	-
Trade and other payables	19,352,746,885	7,711,519,871	19,352,746,885	2,471,415,734
Current tax liabilities	1,205,134,144	654,860,123	1,205,134,144	209,871,937
Lease liability	40,205,668	14,172,766	40,205,668	4,542,139
Bank overdraft	243	-	243	-
Total current liabilities	23,507,780,857	8,380,552,760	23,507,780,857	2,685,829,810
Total equity and liabilities	96,291,355,810	61,341,002,858	48,429,866,790	17,639,235,461

*The historical cost 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.

Abridged Consolidated Statement of Cash Flows for the half year ended 30 June 2023

	Inflation adjusted		*Historical Cost	
	Reviewed six months ended 30.06.2023	Reviewed six months ended 30.06.2022	Reviewed six months ended 30.06.2023	Reviewed six months ended 30.06.2022
	ZWL	ZWL	ZWL	ZWL
Profit before interest and tax	11,538,942,832	3,327,597,354	(6,308,748,329)	675,269,076
Adjustment for:				
Depreciation of property, plant and equipment	7,199,735,113	842,294,509	404,660,954	11,022,996
Depreciation of investment property	-	398,125	-	2,525
Amortisation of financial assets	1,013,289	(2,671,531)	-	-
Amortisation of right of use asset	4,223,210	-	3,438,721	-
Investment property fair value gains	(3,507,681,400)	-	(3,507,681,400)	-
Unrealized exchange loss	8,813,679,379	6,175,641	8,813,679,378	-
Finance costs	6,543,758	-	2,985,619	663,300
Adjustment of movement in non monetary items	(27,736,530,822)	221,991,290	-	-
Effects of inflation	20,548,080,800	(134,785,745)	-	-
Operating cash flow before working capital changes	16,868,006,159	4,260,999,643	(591,665,057)	686,957,897
Movement in working capital				
Increase in trade and other receivables	(37,871,200,022)	(734,659,819)	(25,322,680,072)	(248,973,163)
Increase in inventories	(335,356,018)	(1,489,699,264)	(725,463,961)	(362,238,813)
Increase/(decrease) in trade and other payables	2,827,547,635	(60,735,629)	8,067,651,773	334,100,644
Net cash (utilised in)/generated from operating activities	(18,511,002,246)	1,975,904,931	(18,572,157,317)	409,846,565
Tax paid	(910,303,247)	(721,946,149)	(121,907,013)	(9,227,475)
Interest paid	(6,543,758)	(6,175,641)	(2,985,619)	(663,300)
Net cash flows (utilised in)/generated from operating activities	(19,427,849,251)	1,247,783,141	(18,697,049,949)	399,955,790
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(269,130,138)	(590,540,825)	(150,511,629)	(112,188,391)
Net cash flows utilised in investing activities	(269,130,138)	(590,540,825)	(150,511,629)	(112,188,391)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in loans and borrowings	2,909,693,917	-	2,909,693,917	-
Payment of lease liabilities	43,349,477	-	65,497,667	-
Advance payments on rights issue	17,000,000,000	-	17,000,000,000	-
Dividend paid	-	(308,755,477)	-	(20,294,112)
Net cash flows generated from/(utilised in) financing activities	19,953,043,394	(308,755,477)	19,975,191,584	(20,294,112)
INCREASE IN CASH AND CASH EQUIVALENTS	256,064,005	348,486,839	1,127,630,006	267,473,287

*The historical cost 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.

Abridged Consolidated Statement of Changes in Equity for the half year ended 30 June 2023

	Inflation adjusted						
	Share capital ZWL	Share premium ZWL	Non-distributable reserve ZWL	Revaluation reserve ZWL	Other components of equity ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2022	3,280,793,238	121,045,388	5,093,956,083	13,708,159,382	-	11,322,913,629	33,526,867,720
Total comprehensive income for the year	-	-	-	20,216,028,446	-	(11,994,299,302)	8,221,729,144
Dividend Paid	-	-	-	-	-	(308,755,477)	(308,755,477)
Balance at 31 December 2022	3,280,793,238	121,045,388	5,093,956,083	33,924,187,828	-	(980,141,150)	41,439,841,387
Transfer from reserve	-	-	-	(921,087,365)	-	921,087,365	-
Total comprehensive income for the year	-	-	-	-	-	10,628,639,585	10,628,639,585
Advance payments on rights issue	-	-	-	-	17,000,000,000	-	17,000,000,000
Balance at 30 June 2023	3,280,793,238	121,045,388	5,093,956,083	33,003,100,463	17,000,000,000	10,569,585,800	69,068,480,972

	*Historical Cost						
	Share capital ZWL	Share premium ZWL	Non-distributable reserve ZWL	Revaluation reserve ZWL	Other components of equity ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2022	4,930,403	181,908	7,655,239	290,970,875	-	277,823,793	581,562,218
Total comprehensive income for the year	-	-	-	10,581,175,341	-	243,898,279	10,825,073,620
Dividend Paid	-	-	-	-	-	(20,294,112)	(20,294,112)
Balance at 31 December 2022	4,930,403	181,908	7,655,239	10,872,146,216	-	501,427,960	11,386,341,726
Transfer from reserve	-	-	-	(378,751,327)	-	378,751,327	-
Total comprehensive loss for the year	-	-	-	-	-	(6,881,326,730)	(6,881,326,730)
Advance payments on rights issue	-	-	-	-	17,000,000,000	-	17,000,000,000
Balance at 30 June 2023	4,930,403	181,908	7,655,239	10,493,394,889	17,000,000,000	(6,001,147,443)	21,505,014,996

*The historical cost 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.

Supplementary Information

1. Basis of Preparation

The abridged consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - interim Financial Reporting. The abridged consolidated financial statements are presented in Zimbabwe dollars and are based on the historical 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 statements 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 statements 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 Statistical Office.

2. Inflation Adjustment

The Public Accountants and Auditors Board (PAAB) in their circular 01/19 communicated that the factors and characteristics to apply IAS 29, Financial Reporting in Hyper-Inflationary Economies had been met in Zimbabwe. The pronouncement require that entities reporting in Zimbabwe apply the requirements of IAS 29 with effect from 1 July 2019.

IAS 29 requires that the financial statements 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 stated on the same terms. The standard stipulates 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. Considering the challenges associated with using exchange rates, the inflation rate was estimated using monthly published Total Consumer Poverty Line (TCPL) which is published by ZIMSTAT in ZWL. The following factors were applied:

	Index	Conversion factor
TCPL as at 30 June 2023	91,171.62	1.00
TCPL as at 31 December 2022	29,219.01	3.12
TCPL as at 30 June 2022	18,425.09	4.95

3. Accounting policies and reporting currency

The accounting policies have remained unchanged since the date of the last consolidated financial statements. The financial statements are presented in ZWL for the current year which is the functional currency of the company and are rounded to the nearest Zimbabwe dollar unless otherwise indicated.

4. Significant events and transactions

Exchange losses amounting to ZWL14.7 billion were incurred due to movements in the exchange rates of which ZWL8 813 679 378 relates to employee terminal benefits which were provided for in December 2022 and will be settled in the current year.

5. Fair value measurement of investment property

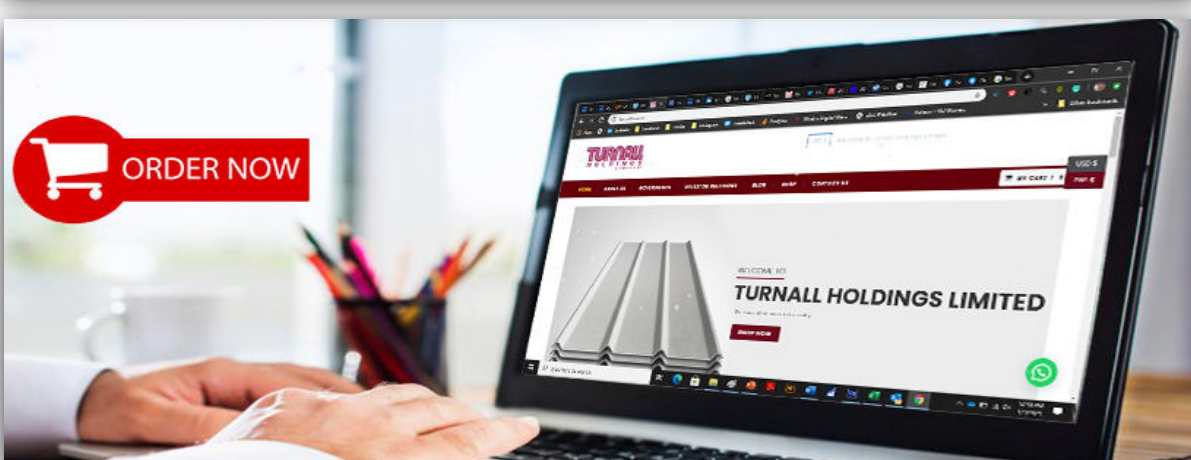
A fair value gain of ZWL3 507 681 400 was realised on the investment property as at 30 June 2023. The fair value of the investment property was measured using the USD base value provided by an independent valuer as at 31 December 2022 and converted to the reporting currency using the closing official exchange rate as at 30 June 2023.

6. Other components of equity

An advance amounting total of ZWL17 billion was received from the underwriter of the rights offer representing an advance of the underwritten amount as per the agreement and was recorded under other components of equity pending the allotment of the shares.

7. Approval of the abridged reviewed consolidated financial statements

The abridged reviewed consolidated financial statements for the half year ended 30 June 2023 were approved by the board on 7 September 2023.



Come, buy and collect your Ravenna concrete roofing tiles at affordable prices.

WE ACCEPT ALL MODES OF PAYMENT

NO WAITING PERIOD

Hurry Hurry and Beat the Rains!!

5 Glasgow Road, P.O. Box 3985, Workington, Harare, Zimbabwe
Tel: 263-086770048745, E-mail: customercare@turnall.co.zw, Web: www.turnall.co.zw

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe
T +263 (242) 442511-4
F +263 (242) 442517 / 496985
E info@zw.gt.com
www.grantthornton.co.zw

REPORT ON REVIEW OF ABRIDGED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the members of Turnall Holdings Limited

We have reviewed the accompanying abridged consolidated statement of financial position of Turnall Holdings Limited as at 30 June 2023 and the related abridged consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-months then ended, and a summary of significant company accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of this interim abridged consolidated 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 interim abridged consolidated 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 consolidated 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

Valuation of property, plant and equipment, and investment property

The determination of fair values for property, plant and equipment, and investment property presented in the abridged interim inflation adjusted consolidated financial results is affected by the prevailing economic environment. These abridged interim inflation adjusted consolidated financial results include property, plant and equipment, and investment property that were revalued by independent professional valuers as at 31 December 2022. The property, plant and equipment, and investment property valuations were determined in USD and then translated to ZWL at the interbank foreign exchange rate as at 31 December 2022.

Although the determined USD values reflect the fair values of the property, plant and equipment, and investment property in USD, the converted ZWL fair values were not in compliance with IFRS 13 as they may not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment, and investment property.

The effect of the above non-compliance with IFRS 13 has been considered to be material but not pervasive to the interim abridged consolidated financial information as a whole.

Qualified Conclusion

Based on our review, with the exception of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to

believe that the accompanying abridged consolidated financial information does not present fairly, in all material respects the financial position of Turnall 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 Accounting Standard (IAS) 34, Interim Financial Reporting.

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

Grant Thornton

Edmore Chimhowa

Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

27 September 2023