



GB HOLDINGS LIMITED

ABRIDGED AUDITED FINANCIAL RESULTS

for the year ended 31 December 2019

CHAIRMAN'S STATEMENT

Introduction
The results for the financial year ended 31 December 2019 are presented to you on the back of multiple statutory provisions promulgated during 2019 which had a profound effect on the company's performance.

According to the 2019 Zimstats report, the year on year inflation as at December 2019 was recorded at 540 % despite the various macroeconomic interventions which among others included the change of the functional currency from United States dollars to RTGS Dollars on 22 February 2019. In addition, statutory instrument 142 of 2019 removed the use of the multicurrency system for legal tender purposes and simultaneously replaced it with the use of the Zimbabwe Dollar in June 2019.

The complex operating environment was further constrained by unrelenting power outages, a worsening foreign currency shortage and surging inflation which inadvertently eroded purchasing power. As a result, downstream demand for the company's products was negatively affected as entities remodelled their businesses to suit the new operating models. The company responded to the challenges by a strict surveillance on costs and competitive pricing in its effort to continuously deliver a commensurate value proposition to its customers.

Company performance

Total volumes declined by 36 % at 636 tonnes when compared with prior year same period volumes of 995 metric tonnes due to reduced

activity in the first quarter of 2019 as the business remodelled in the wake of multiple statutory promulgations. Both chemicals and rubber divisions reported reduced volumes when compared with prior year due to depressed downstream demand although there were significant recoveries in the later part of the year at the rubber division.

On an inflation adjusted basis turnover at ZWL 49 million was a 40% increase compared to prior year's same period ZWL 35 million due to improved internal efficiencies, a favourable product mix at the Chemicals Division and benefits from technical partnerships. Continued monitoring of pricing models in relation to cost volatility enabled the company to gain more ground in the mining sector while at the same time consolidated its market position in the Chemicals division.

As a result, operating profit at ZWL 17 million increased by 70% on an inflation adjusted basis compared to prior year's ZWL 9.7 million as the company benefited from its cost rationalisation processes implemented in its turnaround strategy. Due to improved liquidity in the company, finance costs at ZWL 395 000 were contained at 22 % of prior year's ZWL 1,754 million on an inflation adjusted basis.

Divisional performance

General Bellings

Volumes at the rubber division declined by 34 % to 169 metric tonnes compared with the 257 metric tonnes recorded in the same period prior year due to shortages of foreign currency and reduced downstream demand. Despite the volumes decline, the division improved its

processes and compared favourably with its regional competitors in terms of pricing and factory turnaround time.

The division recorded improved offtake from the platinum and gold sectors while declines were recorded in the energy and cement sectors. The turnover at ZWL 22.4 million on an inflation adjusted basis was a 149% increase on prior year's ZWL 9 million.

Cernol Chemicals

Cernol Chemicals volumes at 467 metric tonnes were 11 % lower than prior year's same period volume of 526 metric tonnes due to the persistent shortages of foreign currency. However, a favourable product mix and pricing opportunities buoyed its turnover to ZWL 27 million representing a 132% increase on prior year's ZWL 11.6 million on an inflation adjusted basis.

Outlook

The expected surge in the inflationary trends will challenge the manufacturing sector in 2020 due to persistent shortages of foreign currency in the absence of significant external inflows into the economy. The liberalisation in the management of the available foreign currency is expected to enhance a more efficient allocation mechanism which would assist the company to procure raw materials more competitively. The mining sector which the company serves is expected to grow on the basis of expected improved commodity prices and deliberate support strategies by Government aimed at generating foreign currency and employment. The rubber division expects to grow its market share on the basis of price competitiveness

and back up service.

The advent of the CORVID-19 pandemic and its devastating effects has reignited debate on personal hygiene issues at the Global and country level. It is expected that new measures will be taken to improve institutional hygiene which would create opportunities for the Chemicals Division. Overallly the business will continue to benefit from the divisional synergies through skills retention and funding models.

Dividend

At their meeting on 26 March 2020, the Board considered the envisaged additional working capital requirements and resolved not to declare a dividend.

Appreciation

The events of the past year would have not been contained were it not for the support of employees, all stakeholders and management whose resilience kept the company afloat. I thank my fellow Directors for their wise counsel and look forward to their continued support.

G. G. NHEMACHENA
Chairman
5 June 2020

AUDITORS' STATEMENT

The condensed audited inflation adjusted financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2019, which have been audited by BDO Zimbabwe Chartered Accountants. An adverse opinion has been issued thereon in respect of non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" as it relates to the opening balances that were translated from USD functional currency to ZWL as guided by SI:33 of 2019. In addition, a material uncertainty pertaining to going concern has been included. The audit report also includes key audit matters. The key audit matters were on impairment assessment of plant and equipment and valuation of trade and other receivables. The auditor's report on these inflation adjusted financial statements is available for inspection at the Company's registered office. The engagement partner for the engagement is Mr Martin Makaya (FAAB Practising Number 03473).

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the Company's full year audited financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's full year audited financial statements fairly present the state of affairs of the Company as at the end of the year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Revenue	48,811,402	34,463,340	21,011,593	4,742,341
Cost of sales	(19,682,766)	(12,584,408)	(9,410,870)	(3,374,576)
Gross profit	29,128,636	22,078,932	11,600,723	1,367,765
Other income	181,440	262,891	102,028	34,036
Operating expenses	(12,276,454)	(12,640,902)	(5,293,901)	(1,848,851)
Profit/(loss) from operations	17,033,622	9,700,921	6,408,850	(447,050)
Finance charges	(394,701)	(1,754,190)	(133,642)	(118,311)
Profit/(loss) before tax and monetary gain	16,638,921	7,946,731	6,275,208	(565,361)
Monetary gain	49,222,503	2,498,739	-	-
Profit/(loss) before tax	65,861,424	10,445,470	6,275,208	(565,361)
Income tax (expense)/ credit	(8,192,121)	134,502	(1,807,620)	(147,698)
Profit/(loss) for the year	57,669,303	10,579,972	4,467,588	(713,059)
Other comprehensive income	-	-	-	-
Total comprehensive income (loss) for the year	57,669,303	10,579,972	4,467,588	(713,059)
Number of shares in issue	536,588,624	536,588,624	536,588,624	536,588,624
Basic profit/(loss) per share (cents)	0.10747	0.01972	0.00833	(0.00133)
Diluted loss per share (cents)	0.10621	0.01948	0.00823	(0.00131)
Headline loss per share (cents)	0.10747	0.01931	0.00832	(0.00139)

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment	60,594,362	62,209,048	6,971,551	7,110,030
Current assets				
Inventories	9,415,288	8,266,530	7,006,537	1,659,550
Trade and other receivables	4,620,611	4,309,160	4,620,611	692,231
Bank and cash balances	1,858,266	980,578	1,858,266	157,860
	15,894,165	13,556,268	13,485,414	2,509,641
Total assets	76,488,527	75,765,316	20,456,965	9,619,671
EQUITY AND LIABILITIES				
Equity				
Share capital	3,968,127	3,968,127	536,588	536,588
Share options reserve	141,986	141,986	19,200	19,200
Foreign currency translation reserve	(712,820)	-	(712,820)	-
Retained earnings/loss	40,578,187	(17,071,116)	27,717	(4,439,871)
	43,995,480	(12,941,003)	(129,315)	(3,884,083)
Non-current liabilities				
Deferred tax	13,254,278	5,508,346	1,569,987	208,556
Long term portion of borrowings	-	2,579,469	-	415,283
Deferred revenue	255,868	259,903	33,392	35,150
	13,510,146	8,347,718	1,603,379	658,989
Current liabilities				
Borrowings	764,901	5,251,846	764,901	845,524
Trade and other payables	17,763,151	74,945,933	17,763,151	11,973,348
Bank overdraft	8,640	160,822	8,640	25,893
Corporate tax payable	446,189	-	446,189	-
	18,982,901	80,378,601	18,982,901	12,844,765
Total liabilities	32,493,047	88,726,319	20,586,280	13,503,754
Total equity and liabilities	76,488,527	75,765,316	20,456,965	9,619,671

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share options reserve	Foreign currency translation reserve	Accumulated profit/(loss)	Total
	ZWL	ZWL	ZWL	ZWL	ZWL
INFLATION ADJUSTED					
Balance at 1 January 2018	3,968,127	141,986	-	(27,651,088)	(23,540,975)
Total comprehensive income	-	-	-	10,579,972	10,579,972
Balance at 31 December 2018	3,968,127	141,986	-	(17,071,116)	(12,961,003)
Foreign currency translation reserve	-	-	(712,820)	-	(712,820)
Total comprehensive income	-	-	-	57,669,303	57,669,303
Balance at 31 December 2019	3,968,127	141,986	(712,820)	40,598,187	43,995,480
HISTORICAL COST					
Balance at 1 January 2018	536,588	19,200	-	(3,726,812)	(3,171,024)
Total comprehensive loss for the year	-	-	-	(713,059)	(713,059)
Balance at 31 December 2018	536,588	19,200	-	(4,439,871)	(3,884,083)
Foreign currency translation reserve	-	-	(712,820)	-	(712,820)
Total comprehensive profit for the year	-	-	-	4,467,588	4,467,588
Balance at 31 December 2019	536,588	19,200	(712,820)	27,717	(129,315)

STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax and monetary gain	65,861,424	10,445,470	6,275,208	(565,361)
Adjusted for:				
Depreciation of property, plant and equipment	1,856,670	1,990,422	287,689	292,075
Interest expense	394,701	1,754,190	133,642	118,311
Profit on disposal of vehicles	-	(148,360)	-	(20,065)
Unrealised exchange gains	(712,820)	-	(712,820)	-
Deferred revenue	(4,035)	(13,679)	(1,758)	(1,850)
Effect of IAS 29	(6,569,974)	(5,051,720)	-	-
Operating (cash outflows) / cash inflows before working capital changes	60,825,966	8,966,523	5,981,961	(176,890)
Changes in working capital				
(Increase)/decrease in inventories	(1,148,758)	702,792	(5,346,987)	(446,733)
Interest expense	(311,451)	4,275,387	(3,928,380)	468,557
Other receivables	(57,202,782)	(12,957,370)	5,789,803	84,503
Increase/(decrease) in trade and other payables	-	-	-	-
Net cash generated from (utilised in) operating activities	2,162,975	(987,332)	2,496,397	70,563
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of vehicles	-	148,360	-	20,065
Purchase of equipment	(241,984)	(222,133)	(149,209)	(37,746)
Net cash utilised in investing activities	(241,984)	(75,773)	(149,209)	(17,681)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(394,701)	(1,754,190)	(133,129)	(40,440)
Loans raised	-	9,626,985	-	1,549,865
Loans paid	(496,420)	(9,795,602)	(496,420)	(1,536,571)
Net cash (utilised in)/generated from financing activities	(891,121)	(1,922,807)	(629,549)	(27,146)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,029,870	(1,009,248)	1,717,639	(115,390)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	819,736	1,828,984	131,967	247,357
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,849,606	819,736	1,849,606	131,967

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS

- Accounting policies**
The principal accounting policies adopted in the preparation of these abridged financial statements have been consistently applied to all the years presented.
- Nature of business**
The main business of the company, which is incorporated in Zimbabwe (Registration Number 510/68), is that of producing rubber and chemical products.
- Functional and presentation currency**
The Company has in previous financial periods assessed and concluded that the United States Dollar (US\$) had been its functional and presentation currency. For the 2019 financial period, the Board of Directors assessed and concluded that the Zimbabwe dollar (ZWL) is the functional and presentation currency of the company.
- Accounting policies**
These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).
- Statement of compliance**
The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) except for the non-compliance with IAS21, and in the manner required by the Companies Act (Chapter 23:03) and the Zimbabwe Stock Exchange regulations.
- Basis of preparation**
The condensed financial statements are presented in ZWL. They have been prepared under the inflation adjusted accounting basis in line with the provisions of International Accounting Standard (IAS) 29-Financial Reporting in Hyperinflationary Economies. The directors have also applied the guidelines provided by the Public Accounting and Auditors Board (PAAB).

Inflation adjusted financial statements have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) and prepared by the Zimbabwe Central Statistical Office. The indices and conversion factors used are as follows:

Month	CPI	Conversion Factor
January 2019	98.35	5.61
February 2019	100.00	5.52
March 2019	104.38	5.28
April 2019	110.14	5.01
May 2019	123.95	4.45
June 2019	172.61	3.20
July 2019	208.92	2.64
August 2019	246.68	2.24
September 2019	290.39	1.90
October 2019	402.92	1.37
November 2019	473.28	1.17
December 2019	551.63	1.00

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
7. INVENTORIES				
Raw materials	7,309,056	4,624,686	2,021,612	638,573
Finished goods	2,061,205	3,504,337	1,862,170	828,346
Consumables	44,905	59,232	172,576	164,494
Work-in-progress	122	78,275	2,950,179	28,137
	9,415,288	8,266,530	7,006,537	1,659,550
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	4,683,873	3,885,504	4,683,873	624,174
Less: Allowance for credit losses	(456,171)	(1,770,050)	(456,171)	(284,344)
Trade receivables-net	4,227,702	2,115,454	4,227,702	339,830
Other receivables	392,909	2,193,706	392,909	352,401
Financial assets other than cash and cash equivalents classified as loans and receivables	4,620,611	4,309,160	4,620,611	692,231
The carrying value of trade and other receivables at amortised cost approximates fair value.				
9. BORROWINGS				
CABS	762,912	5,251,847	762,9	