GROUP AUDITED FINANCIAL RESULTS

for the year ended 30 September 2016

Directors: Dr. T. Utete Wushe (Chairman), T. M. Ameer*, A.M. Chingwecha*, M. Chundu, , E.K. Moyo, O. Mtasa, M. Oakley (EXECUTIVE)*

HIGHLIGHTS

- **Revenue flat at $29,8m**
- **Operating profit increased by 93%**
- **Operating expenses decreased by 13%**
- **Capacity utilisation increased by 2 percentage points**
- **Margins increased by 2 percentage points**
- **Finance costs decreased by 10%**

CHAIRMAN'S STATEMENT

OVERVIEW

The Group's recovery continued in the year under review and I am pleased to report an improved performance by the Group despite the general economic decline. A profit before tax of $2.3m was recorded in the year compared to $150,000 achieved in 2015 as a result of improved operational efficiencies in the divisions and increased battery volumes at Chloride Zimbabwe.

FINANCIAL

Revenue at $29.8m was at similar level as prior year whilst margins improved to 37% compared to 2015 margins of 35%. This was a result of reduced manufacturing costs arising from factory automation and purchasing efficiencies.

Operating expenses were 13% lower than last year due to benefits of the restructuring and cost containment strategies initiated during the prior year.

Operating profit increased by 93% to $3.7m. The interest expense of $1.2m still remains a significant strain on the business. Overall, the Group achieved a profit after tax of $1.9m, a significant improvement compared to a loss of $590,000 in 2015.

Cash of $5.5m was generated from operations and this was mainly applied to the recapitalisation of the factories and repayment of expensive short term debt. Consequently the debt has come down to $5.9m compared to $7m in prior year.

OPERATIONS

The Batteries Division continues to perform well and is now contributing 68% of the Group's revenues. In Zimbabwe, battery sales volumes went up by 9% from 2015 levels. Chloride Zambia's performance was however, affected by reduced economic activity in the run up to the elections and as a result, volumes in Zambia dropped by 32% compared to prior year. Overall, the Batteries Division recorded an operating profit of $2.9m up from $1.2m in 2015 representing an increase of 142%.

Eversharp performed well during the year, posting an operating profit of $763,000 up from $340,000 last year representing an increase of 124%. Pen volumes were at the same level and the increased profitability was as a result of reduced cost of production following the commissioning of new equipment in the prior year.

The consolidated Paper Division managed to post an operating loss of $227,000 against a loss of $387,000 in 2015. Kadoma Paper Mills volumes were up by 6%. Softex Tissue volumes were 9% lower than prior year but margins were firmer due to more efficient raw material procurement.

Timber volumes in Mutare were 11% higher than prior year while revenues increased by 21%. Profitability, however, was affected by fires that damaged a total of 402 ha resulting in a fire loss of $452,000 during the year.

DIVIDEND

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

DIRECTORATE

I was appointed Chairman of the Group in February 2016. I would like to express my gratitude to Mr Moses Chundu, the outgoing Chairman who still remains on the Board. I would also like to thank Mr Thankful Musukutwa who resigned from the Board in February 2016 for his valuable contribution to the Group.

OUTLOOK

Demand for the Company's products is expected to remain strong despite subdued economic conditions.

The second phase of recapitalisation of the Battery Factory at Chloride was completed with the successful commissioning of a $3m new battery line. This has positioned the battery business to increase product range, reduce cost and offer an improved product which will be able to compete in the region. Additional investment in firefighting equipment will be done to mitigate against the fire risk in Mutare.

Your Board's focus in the medium term will be to recapitalise Kadoma Paper Mills in order to bring the Paper Division to sustainable profitability.

ART will continue to exploit growth opportunities in Zimbabwe and the regional markets and the Board is confident that the Group's positive trajectory will continue in 2017.

APPRECIATION

I would like to thank our customers, shareholders, fellow directors, management, the entire team at ART and all other stakeholders for their continued support and contribution to ART.

Dr. Thomas Utete Wushe
CHAIRMAN
30 November 2016

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended

	30 Sept 2016 US$ 000	30 Sept 2015 US$ 000
Revenue	29 761	29 834
Cost of sales	(18 654)	(19 478)
Gross profit	**11 107**	**10 356**
Other Income	450	565
Operating expenses	(7 879)	(9 013)
Operating profit before fair value adjustments and impairments	**3 678**	**1 908**
Share of joint venture and associate profit/(loss)	90	(50)
Fire loss	(452)	-
Impairment of assets	-	(75)
Reorganisation costs	-	(634)
Fair value adjustments on biological assets	99	296
Fair value adjustment on investment property	25	-
Operating profit before interest and tax	**3 440**	**1 445**
Finance costs	(1 171)	(1 295)
Profit before tax	**2 269**	**150**
Income tax expense	(348)	(740)
Profit/(loss) after tax	**1 921**	**(590)**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of property, plant and equipment (net of tax)	53	-
Items that may be reclassified subsequently to profit or loss:		
Translation of foreign subsidiaries	45	(644)
Fair value adjustment on available-for-sale investments (net of tax)	7	(11)
Other comprehensive income/(loss) for the year net of tax	105	(655)
Total comprehensive income/(loss) for the year net of tax	**2 026**	**(1 245)**
Earnings/(loss) per share (cents)		
Basic	0.41	(0.13)
Diluted	0.41	(0.13)

GROUP STATEMENT OF FINANCIAL POSITION

As at

	30 Sept 2016 US$ 000	30 Sept 2015 US$ 000
ASSETS		
Non-current assets		
Property, plant and equipment	13 961	12 132
Investment property	3 200	3 175
Biological assets	4 543	4 887
Deferred tax assets	424	600
Investment in joint venture and associate	583	471
Other investments	14	37
Total non-current assets	**22 725**	**21 302**
Current assets		
Inventories	4 323	4 704
Trade and other receivables	3 148	3 315
Cash resources	647	312
Total Current Assets	**8 118**	**8 331**
Total Assets	**30 843**	**29 633**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	47	47
Share premium	4 378	4 378
Reserves	6 501	4 475
Shareholders' equity	**10 926**	**8 900**
Non-current liabilities		
Accounts payables	1 013	-
Deferred tax liabilities	1 820	1 802
Interest bearing loans and borrowings	2 113	2 929
Total non-current liabilities	**4 946**	**4 731**
Current liabilities		
Trade and other payables	10 117	10 737
Provisions	485	647
Income tax payable	578	527
Interest bearing loans and borrowings	3 728	4 024
Bank overdrafts	63	67
Total current liabilities	**14 971**	**16 002**
Total liabilities	**19 917**	**20 733**
TOTAL EQUITY AND LIABILITIES	**30 843**	**29 633**

GROUP STATEMENT OF CASH FLOWS

For the year ended

	30 Sept 2016 US$ 000	30 Sept 2015 US$ 000
Cash flow from operating activities:		
Cash generated from operations	**5 478**	**5 377**
Finance costs	(1 171)	(1 295)
Tax paid	(127)	(63)
Cash generated from operating activities	**4 180**	**4 019**
Cash flow from investing activities:		
Purchase of property plant and equipment	(2 732)	(3 441)
(Increase) /decrease in biological assets	(9)	36
Proceeds on disposal of property, plant and equipment	86	39
Cash utilised in investing activities	**(2 655)**	**(3 366)**
Cash flow from financing activities:		
Proceeds from borrowings	885	1 151
Repayment of borrowings	(2 025)	(1 853)
Cash utilised in financing activities	**(1 140)**	**(702)**
Increase /(decrease) in cash and cash equivalents	**385**	**(49)**
Net foreign exchange differences	(46)	(44)
Cash and cash equivalents at the beginning of the year	245	338
Cash and cash equivalents at the end of the year	**584**	**245**
Comprising:		
Cash resources	647	312
Overdrafts	(63)	(67)
Cash and cash equivalents at the end of the year	**584**	**245**

GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital US$000	Share Premium US$000	Non-Distributable Reserves US$000	Distributable Reserves US$000	Total US$000
At 1 October 2014	**47**	**4 378**	**12 477**	**(6 757)**	**10 145**
Loss for the year	-	-	-	(590)	(590)
Other comprehensive loss	-	-	(655)	-	(655)
Transfer of foreign currency reserve	-	-	(2 100)	2 100	-
At 30 September 2015	**47**	**4 378**	**9 722**	**(5 247)**	**8 900**
Profit for the year	-	-	-	1 921	1 921
Other comprehensive income	-	-	105	-	105
Total comprehensive income	-	-	105	1 921	2 026
At 30 September 2016	**47**	**4 378**	**9 827**	**(3 326)**	**10 926**

GROUP SEGMENT RESULTS

Sep-16	Paper US$000	Batteries US$000	Plantations US$000	Stationary US$000	Central administration US$000	Adjustments & eliminations US$000	Group US$000
Revenue							
External customer	4 565	19 790	855	4 551	-	-	29 761
Operating (loss)/profit before impairments and fair value adjustments	(227)	2 898	(3)	763	247	-	3 678
Finance cost	(47)	(256)	(3)	(25)	(840)	-	(1 171)
Segment assets	6 037	11 115	5 246	1 852	3 306	3 287	30 843
Segment liabilities	2 259	5 097	556	1 607	6 784	3 614	19 917
Capital expenditure	49	2 618	17	35	13	-	2 732
Depreciation	336	313	100	110	66	-	925

GROUP SEGMENT RESULTS (CONTINUED)

Sep-15	Paper US$000	Batteries US$000	Plantations US$000	Stationary US$000	Central administration US$000	Adjustments & eliminations US$000	Group US$000
Revenue							
External customer	4 573	19 329	706	5 226	-	-	29 834
Operating (loss)/profit before impairments and fair value adjustments	(387)	1 237	116	340	803	(201)	1 908
Finance cost	(27)	(290)	(16)	(85)	(877)	-	(1 295)
Segment assets	6 162	9 991	5 646	2 353	3 687	1 794	29 633
Segment liabilities	2 593	5 213	608	2 516	8 008	1 795	20 733
Capital expenditure	871	1 399	22	883	266	-	3 441
Depreciation	210	397	57	100	62	-	826

SUPPLEMENTARY INFORMATION

1. **Basis of preparation**
The consolidated financial statements have been prepared on a historic cost basis except for land and buildings, investment property, financial assets and biological assets that have been measured at fair value.

2. **Currency of reporting**
The financial results are prepared in United States Dollars (US$).

3. **Statement of compliance**
The consolidated financial results from which these abridged financial results have been extracted were prepared in accordance with International Financial Reporting Standards and the Zimbabwe Stock Exchange Listings Rules.

4. **Statement of accounting policy**
The accounting policies in the preparation of the 2016 Group Annual consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2015.

5. **Audit Opinion**
The Group Auditors, Ernst &Young have issued an unqualified opinion with an emphasis of matter on going concern on the Group Financial Statements. The signed audit opinion is available for inspection at the Company's regional office.

6. **Capital expenditure commitments**

	2016 US$ 000	2015 US$ 000
Authorised but not yet contracted	1 939	1 682
Authorised and contracted	-	3 045
Total	1 939	4 727

The capital expenditure will be funded from internal working capital and shareholder loans.

7. **Total borrowings split**

31 March 2016 US$ 000's			30 September 2015 US$ 000'		
Short- term and over draft	Long- term	Total	Short- term	Long- term	Total
3 791	2 113	**5 904**	4 091	2 929	**7 020**

The borrowings are secured by land and buildings valued at $7m. The average interest was 15% (2015: 16%).

8. **Lease commitments**

Operating lease commitments-The Group as lessee

Lease payments represent rentals payable by the Group for certain of its properties. Leases are primarily negotiated for an average term of between three to thirty six months during which rentals are fixed. Certain leases contain options for the Group to renew at market related rentals.

	Payable within 1 year US$ 000	Payable between 1 year and five years US$ 000
2016	486	270
2015	585	310

Operating lease commitments - The Group as lessor

The Group has entered into property leases on its Mutare and Kadoma Properties. These non-cancellable leases have remaining lease terms of between one and four years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 September 2016 are as follows:

	Receivable within 1 year US$ 000	Receivables between 1 year and five years US$ 000
2016	276	119
2015	306	187

Finance lease obligations- The Group as lessee

The Group has leased certain of its motor vehicles, land and buildings under finance leases. The lease terms for buildings and motor vehicles are five years and two years respectively. The Group has an option to purchase the land and buildings at the end of the lease term. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 17% to 20% per annum. The lease agreement for the land and buildings expires on 30 April 2019.

	2016		2015	
	Minimum payments US$000	Present value of payments US$000	Minimum payments US$000	Present value of payments US$000
Within one year	269	230	364	140
After one year but not later than five years	1 679	1 178	2 028	1 436
More than five years	-	-	-	-
Total minimum lease payments	1 948	1 408	2 392	1 576
Less amounts representing finance charges	(540)	-	(816)	-
Present value of minimum lease payments	1 408	1 408	1 576	1 576