

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019



Financial Highlights

	30 June 2019 Reviewed ZWL\$
Revenue	27,784,664
PBITDA and fair value adjustments	7,795,956
Profit before Tax	13,365,556
Profit after Tax	12,634,254
PBITDA and fair value adjustments/Turnover	28%
Return on Equity	18%
Basic Earnings Per Share (cents)	5.56
Diluted Earnings Per Share (cents)	5.48
Headline Earnings Per Share (cents)	5.45

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board, I am pleased to present to you the interim results for the six months ended 30 June 2019.

I wish to bring to the attention of the stakeholders the change in functional and reporting currency from United States Dollars (US\$) to Zimbabwe Dollars (ZWL\$) as a result of the promulgation of Statutory Instrument 33/2019 on 21 February 2019. Resultantly, opening balances were restated at an exchange rate of ZWL\$2.50:US\$1 and at the closing period, the rate was at ZWL\$6.31. The comparative figures have been stated based on the US\$ to ZWL\$ exchange rate of 1:1. Consequently, the financial performance for the period under review is not directly comparable to the performance and financial position for the period ended 31 December 2018.

OPERATING ENVIRONMENT

The period under review remained highly volatile for business operations as characterised by significant policy changes in a market faced with foreign currency shortages, tight liquidity and high inflation. Annual inflation reached 175.66% in June 2019 and the Government has discontinued publishing the year on year inflation statistics, a phenomenon that will make measurability of performance very difficult. The Government of Zimbabwe, through Statutory Instrument 142/2019 issued on 24 June 2019, introduced the ZWL\$ as the sole legal tender for trading and settlement for domestic transactions.

OPERATIONS

Trading conditions at the beginning of the financial period started slowly and improved in the second quarter. The company recorded a revenue of ZWL\$27,784,664 for the six months period ended 30 June 2019. Profit Before Interest, Tax, Depreciation, Amortisation and Fair value adjustments improved to ZWL\$7,795,956 mainly driven by procurement, production and plant utilisation efficiencies.

Non-current assets position at 30 June 2019 amounted to ZWL\$67,645,098, largely driven by adoption of Statutory Instrument 33/2019 and a Directors' valuation of property, plant and equipment at end of the financial period, resulting in a foreign currency translation reserve of ZWL\$21,268,609, revaluation reserve of ZWL\$21,434,771 and fair value gain of ZWL\$6,924,000.

Net working capital position improved to ZWL\$12,173,775, mainly attributable to growth in business and implementation of effective working capital strategies. The introduction of the inter-bank foreign exchange market has brought about improved foreign currency availability that is competitively priced. In addition, the deterioration of the exchange rate has decelerated post the introduction of the inter-bank foreign exchange market. At the reporting date, the Group had a net foreign asset position of US\$665,426.

OCCUPATIONAL HEALTH & SAFETY ASSESSMENT SYSTEMS (OHSAS)

We have maintained our Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), Occupational Health & Safety (OHSAS 18001:2007), and are currently working on migrating from OHSAS 18001:2007 to the new ISO 14001:2018. In the period, Lost Time Injury Frequency Rate improved to 1.71 (2018: 3.2).

PROSPECTS

We commend the bold changes implemented by Government in the period under review, in particular the market related pricing of fuel and electricity, introduction of the foreign exchange inter-bank market and the Zimbabwe dollar. While the aforementioned have contributed to an upsurge in inflationary pressures, we hope that the continued efforts by Government to allocate funding to infrastructure and agriculture, in addition to its commitment to the Transitional Stabilisation Program, will spur the economy to positive growth in the medium to long term.

Subsequent to the reporting period, the Group has been awarded significant infrastructure projects and this will translate to better resource utilisation efficiencies. The Group has substantial balances in net foreign current assets that are due for settlement by December 2019. Given the weakening ZWL\$ exchange rate, this is likely to result in significant foreign exchange gains in the second half of the financial period.

DIVIDEND DECLARATION

In view of the profit for the six months to 30 June 2019 and considering the cashflow position of the business, the Board is proposing an interim cash dividend of ZWL\$0.83 cents per share (2018: Nil).

APPRECIATION

On behalf of the Board, I extend my appreciation to our valued customers, suppliers and other key stakeholders for their continued support, as well as to the executives and staff for their valuable contribution towards the attainment of these results in a difficult environment. I also wish to thank my colleagues on the Board for their valuable contribution.

For and on behalf of the Board

G. Sebborn
25 September 2019

DIVIDEND DECLARATION NOTICE

Notice is hereby given that the Masimba Holdings Limited Board has declared an interim dividend of ZWL\$0.83 cents per share for the half year ended 30 June 2019 payable in respect of all the ordinary shares of the Company. This dividend will be payable in full to all Shareholders of the Company registered at the close of business on 11 October 2019.

The payment of the dividend will take place on or around 18 October 2019. The applicable Shareholder's tax will be deducted from the gross dividend due.

The shares of the Company will be traded cum-dividend up to 8 October 2019 and ex-dividend from 9 October 2019.

By Order of the Board

MASIMBA CORPORATE SERVICES (PRIVATE) LIMITED (Secretaries)

25 September 2019

AUDITOR'S STATEMENT

These condensed interim financial results for the six months ended 30 June 2019 have been reviewed by Grant Thornton Chartered Accountants Zimbabwe. A report on the review has been issued and it has an adverse conclusion with respect to the following matters:

- Non-compliance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange in accounting for the change in functional currency; and
- Fair value determination of property, plant and equipment in the prevailing economic environment.

The engagement partner responsible for this review is Mr. Farai Chibisa. The review report on these interim financial results is available for inspection at the Company's registered office.

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	30 June 2019 Reviewed ZWL\$	30 June 2018 Unaudited ZWL\$
Revenue		27,784,664	17,948,319
Profit before depreciation and fair value adjustments		7,795,956	1,343,762
Fair value adjustment		6,924,000	-
Depreciation		(1,297,433)	(653,260)
Operating profit		13,422,523	690,502
Net interest paid		(56,967)	(90,061)
Profit before tax	3.1	13,365,556	600,441
Income tax	3.2	(731,302)	(67,842)
Profit for the period		12,634,254	532,599

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 Reviewed ZWL\$	30 June 2018 Unaudited ZWL\$
Profit for the period	12,634,254	532,599
Other comprehensive income:		
Gain on revaluation of property, plant and equipment	21,434,771	-
Movement in available for sale investments	2,702,259	307,974
Deferred tax charge on other comprehensive income	(5,546,477)	(3,080)
Other comprehensive income for the period, net of tax	18,590,553	304,894
Total comprehensive income for the period	31,224,807	837,493

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$
ASSETS			
Property, plant and equipment	3.3	43,603,933	8,691,388
Investment property	3.4	18,464,000	4,616,000
Investments	3.5	5,577,165	2,795,681
Total assets		67,645,098	16,103,069
Current assets			
Cash and cash equivalents		3,110,252	3,788,881
Contracts in progress and accounts receivable	3.6	47,059,804	20,357,440
Inventories		2,356,338	1,725,984
Tax refundable		63,801	78,579
Total assets		52,590,195	25,950,884
Total assets		120,235,293	42,053,953
EQUITY AND LIABILITIES			
Share capital		2,415,860	2,331,824
Share premium		1,006,110	405,428
Reserves		50,091,438	10,232,276
Retained earnings		15,397,226	3,579,150
Shareholders' equity		68,910,674	16,548,678
Non-current liabilities			
Deferred tax		10,228,554	2,312,928
Interest bearing borrowings	3.7	441,502	200,000
Finance lease liabilities	3.8	238,143	414,706
Total non-current liabilities		10,908,199	2,927,634
Current liabilities			
Interest bearing borrowings	3.7	809,472	644,857
Finance lease liabilities	3.8	475,247	512,910
Accounts payable	3.9	39,131,701	21,419,875
		40,416,420	22,577,641
Total equity and liabilities		120,235,293	42,053,953

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD 30 JUNE 2019

	30 June 2019 Reviewed ZWL\$	30 June 2018 Unaudited ZWL\$
Net cash flows generated/(utilised) from operating activities	(207,462)	167,709
Net cash flows utilised in investing activities	(533,096)	(73,533)
Net cash flows generated/(utilised) in financing activities	61,929	(262,762)
Net decrease in cash and cash equivalents	(678,629)	(169,186)
Cash and cash equivalents at beginning of the period	3,788,881	1,294,967
Cash and cash equivalents at end of the period	3,110,252	1,125,781

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2019

	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$
Shareholders' equity at the beginning of the period	16,548,678	14,038,405
Share based payments expense	-	(284)
Other comprehensive income	18,590,553	1,667,002
Dividend paid	(816,138)	(348,030)
Foreign currency translation reserve	21,268,609	-
Issue of shares at a premium	684,718	14,066
Profit for the period	12,634,254	1,177,519
Shareholders' equity at the end of the period	68,910,674	16,548,678

SUMMARY OF INFORMATION

1 Basis of Presentation

These abridged financial statements were prepared in accordance with the minimum requirements of IAS 34 – Interim Financial Reporting and in accordance with the Zimbabwe Stock Exchange Listing Rules.

2 Significant Accounting Policies

The abridged financial results for the six months ended 30 June 2019 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The same accounting policies, presentation and methods followed in the abridged financial results are as applied in the Group's latest annual financial statements.

3 Functional and Presentation Currency

The Group changed its functional and reporting currency to Zimbabwe Dollars (ZWL\$) from United States Dollars (US\$) in line with promulgation of statutory instrument 33/2019 in February 2019.

	30 June 2019 Reviewed ZWL\$	30 June 2018 Unaudited ZWL\$	
3.1 Profit before tax			
Profit before tax is shown after charging/(crediting) the following items:			
Staff costs	1,465,684	1,009,015	
Compensation of directors and key management for services as directors	46,872	31,248	
for management services	550,621	507,627	
3.2 Income tax			
Current tax	-	-	
Deferred tax	(731,302)	(67,842)	
Capital gains tax	-	-	
Total	(731,302)	(67,842)	
	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$	
3.3 Property, plant and equipment			
Balance at the beginning of the period	8,691,388	8,727,868	
Additions	1,792,662	1,406,137	
Depreciation	(1,297,433)	(1,387,689)	
Disposals	-	(84,702)	
Foreign currency translation reserve	12,982,545	-	
Revaluation reserve	21,434,771	-	
Depreciation - elimination on disposal	-	29,774	
Balance at the end of the period	43,603,933	8,691,388	
3.4 Investment property			
Balance at beginning of the period	4,616,000	-	
Foreign currency translation reserve	6,924,000	4,616,000	
Fair value adjustment	6,924,000	-	
Balance at end of the period	18,464,000	4,616,000	
	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$	
3.5 Investments			
Financial Assets carried at fair value through other comprehensive income	5,577,165	2,795,681	
Total	5,577,165	2,795,681	
3.6 Contracts in progress and accounts receivable			
Contract receivables and contract work in progress	32,575,497	14,889,375	
Trade receivables	1,464,326	1,128,965	
Prepayments	13,091,044	4,418,091	
Deposits and other receivables	138,893	130,965	
	47,269,760	20,567,396	
Less: Allowance for credit losses	(209,956)	(209,956)	
Total	47,059,804	20,357,440	
	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$	
3.7 Interest bearing borrowings			
Long term	441,502	200,000	
Short term	809,472	644,857	
Total	1,250,974	844,857	
	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$	
3.8 Finance lease	Up to 1 year	2 to 5 years	Total
Principal	475,247	238,143	713,390
Interest	61,625	19,199	80,824
	536,872	257,342	794,214
	30 June 2019 Reviewed ZWL\$	31 December 2018 Audited ZWL\$	
3.9 Accounts payable			
Trade	2,599,836	1,114,981	
Unearned revenue			5,518,456
(Advance receipts from customers)			8,246,379
Contract accruals and other payables	9,426,431	15,177,715	6,540,058
Subcontractor liabilities	15,177,715	11,927,719	2,419,874
	39,131,701	21,419,874	
3.10 Contingent liabilities			
Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids.	4,757,305	8,073,834	

Property, plant and equipment was revalued at the end of June 2019 by Directors on the open market basis.

The Company provides for receivables aged above 90 days on a case by case basis where subsequent developments suggest that recovery of the amount is in doubt.

The short-term loans represent a reclassification to current liabilities as per IFRS 7. The loans have a tenure of three years and accrue interest at an effective rate of 22.5% per annum (2018: 12%). These loans are fully secured against immovable property and a notarial general covering bond over moveable assets including a cession of book debts.

Finance lease represents three existing leases held as at 30 June 2019. The leases were acquired to refinance the acquisition of property, plant and equipment. Each finance lease attracts an interest rate of 9% per annum. The finance leases have a tenure of thirty-six months each.

