



ABRIDGED UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

CHAIRMAN'S STATEMENT

FOR THE HALF YEAR ENDED 30 JUNE 2018

Introduction

I hereby present to you the half year unaudited results for the period ended 30 June 2018. Following a new political dispensation and significant efforts to engage the international community, there is renewed business interest in the economy. The manufacturing sector is responding positively from the multiplier effect of clarity on the indigenisation policy.

The demand for the company's products is mainly driven by the growth experienced in the mining and agricultural sectors. Leveraging on the improved operational efficiencies underpinned by consolidated technical alliances and continued policy support, the company is responding effectively by delivering commensurate value propositions to its customers despite accessing limited foreign currency.

Group Performance

Overall volumes at 467 metric tonnes were 6% above prior year same period volumes of 441 metric tonnes with all the units registering growth. A significant volume increase of 36 % was recorded at the rubber Division as the unit benefited from the technical partnerships and improved market positioning. The Chemicals division volumes increased by 2 % on prior year with a favourable product mix.

Turnover surged by 25 % at USD 2.5 million when compared with same period prior year despite a significant outstanding order book due to raw materials constraints. A growth of 17 % was recorded at the Rubber division due to increased throughput while the chemicals division growth of 36 % was attributable to a favourable product mix. Consequently an overall gross profit increase of 28 % was recorded at USD 688 000. In spite of the inflationary pressures, costs were contained at prior year levels resulting in a decrease of the operating loss by 73 % at USD 86 000. Finance costs at USD 100 000 were 23 % higher when compared with same period prior year of USD 81 000 due to legacy debt.

Outlook

The firm order book since the beginning of the year has asserted the company's market positioning and confidence. The commissioning of a specialised modern mixer at the Rubber division in line with the technical partnership has started to bear fruit through enhanced operational efficiencies and reduced order cycle time. Programmed plant maintenance is positioning the operating units ability to convert orders to meet increased demand. It is expected that the order book will remain firm going forward. The conversion of the orders to turnover will however depend on the availability of foreign currency to timeously procure raw materials.

Dividend

At their meeting on 25 September 2018, the Board considered the loss position of the business and resolved not to declare a dividend.

Appreciation

The support of all our stakeholders has enabled the company to survive this far despite limited resources. I thank them all together with the Directorate for their endurance and look forward to their continued support.

By Order of the Board

G G NHEMACHENA
25 September 2018

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the 6 months ended 30 June 2018

	Unaudited 30.06.18 US\$	Unaudited 30.06.17 US\$
Revenue	2,519,035	2,013,399
Cost of sales	(1,831,046)	(1,477,555)
Gross profit	687,989	535,844
Other income	21,397	30,280
Operating expenses	(795,790)	(795,307)
Operating loss	(86,404)	(229,182)
Net financing cost	(100,249)	(81,328)
Loss before tax	(186,653)	(310,510)
Income tax credit	47,967	56,281
Loss after tax	(138,686)	(254,229)
Other comprehensive income	-	-
Total comprehensive income for the period	(138,686)	(254,229)
Earnings Per Share (EPS)		
Number of shares in issue	536,588,623	536,588,623
Basic loss per share (cents)	(0.00026)	(0.00043)
Diluted loss per share (cents)	(0.00026)	(0.00042)
Headline loss per share (cents)		

ABRIDGED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Unaudited 30.06.18 US\$	Audited 31.12.17 US\$
ASSETS		
Non-current assets		
Property, plant and equipment	7,243,282	7,364,359
Current assets		
Inventories	1,247,695	1,212,817
Trade and other receivables	683,454	1,160,788
Bank and cash	100,017	255,844
Total current assets	2,031,166	2,629,449
Total assets	9,274,448	9,993,808
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	536,588	536,588
Share options reserve	19,200	19,200
Accumulated loss	(3,865,499)	(3,726,812)
	(3,309,711)	(3,171,024)
Non-current liabilities		
Deferred tax	12,892	60,858
Long term portion of borrowings	671,521	671,521
Deferred revenue	37,000	37,000
	721,413	769,379
Current liabilities		
Current portion of borrowings	368,121	498,121
Trade and other payables	11,449,160	11,888,845
Bank overdraft	45,465	8,487
	11,862,746	12,395,453
Total liabilities	12,584,159	13,164,832
Total equity and liabilities	9,274,448	9,993,808

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 June 2018

	Share capital USD	Share options reserve USD	Share distributable reserve USD	Retained loss USD	Total USD
Balance at 31 December, 2016	\$536,588	\$19,200	-	(3,533,091)	(2,977,303)
Total comprehensive loss for the year	-	-	-	(193,721)	(193,721)
Balance at 31 December, 2017	536,588	19,200	-	(3,726,812)	(3,171,024)
Total comprehensive loss for the period	-	-	-	(138,687)	(138,687)
Balance at 30 June, 2018	536,588	19,200	-	(3,865,499)	(3,309,711)

ABRIDGED STATEMENT OF CASH FLOWS

for the 6 months ended 30 June 2018

	Unaudited 30.06.18 US\$	Unaudited 30.06.17 US\$
Cash flows from operating activities		
Loss before tax	(186,653)	(310,511)
Adjustments for:		
Depreciation of property, plant and equipment	145,806	117,239
Profit on disposal of property, plant and equipment		
Interest expense	100,249	81,328
Operating cash outflows before working capital changes	59,402	(111,944)
Changes in working capital		
(Increase)/Decrease in inventories	(34,878)	276,516
Decrease in trade and other receivables	477,334	44,799
Decrease in trade and other payables	(439,685)	(150,193)
Working capital changes	2,771	171,122
Cash generated from operations	62,173	59,178
Cash flows from investing activities	(24,729)	-
Cash flows from financing activities		
Interest paid	(100,249)	(81,328)
Decrease in borrowings	(130,000)	(60,072)
Net cash (outflows)/ inflows from financing activities	(230,249)	(141,400)
Decrease in cash and cash equivalents	(192,805)	82,222)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	247,357	154,226
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	54,552	72,004

Notes on the financial statements

ended 30 June 2018

- ACCOUNTING POLICIES**
The principal accounting policies adopted in the preparation of these abridged financial statements have been consistently applied to all the years presented.
- Basis of presentation**
The abridged financial statements are prepared on the historical cost basis.
- Statement of compliance**
The abridged financial statements for the half year ended 30 June 2018 have been prepared in accordance with IAS 34-Interim Financial Reporting. The financial statements are prepared in accordance with the Zimbabwe Stock Exchange (ZSE) Listing Rules, the Companies Act (chapter 24:03.)

	Unaudited 30.06.18 US\$	Audited 31.12.17 US\$
4. Inventories		
Raw materials	576,689	455,122
Finished goods	555,192	536,877
Consumables	8,011	119,582
Work in progress	107,803	101,236
	1,247,695	1,212,817
5. Trade and other payables		
Trade	985,143	1,399,055
Other payables	10,464,017	10,667,936
Total trade and other payables	11,449,160	11,888,845
6. Loans		
CABS	777,653	767,653
FBC	261,989	401,989
	1,039,642	1,169,642
less: Short term portion	(368,121)	(498,121)
Long term portion	671,521	671,521

The FBC short term loan facility accrues interest at 12% per annum and is repayable in monthly instalments of \$22,523. The loans are secured by land and buildings with a carrying amount of \$1,634,751. The CABS loan facility accrues interest at 10% per annum and is repayable in monthly instalments of \$8,011 until 30 June 2024. The loan is secured by land and buildings with a carrying amount of \$2,329,197.

	(138,687)	(193,721)
7. Earnings per share		
Loss for the year	(138,687)	(193,721)
Number of shares used in calculating Loss Per Share		
Shares in issue	538,588,624	538,588,624
Weighted average number of shares used in basic EPS	538,588,624	538,588,624
Number of shares used in diluted Loss Per Share	542,988,624	542,988,624

Basic loss per share
Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the period.

Headline loss per share
Headline loss per share is calculated by dividing the headline loss for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

8. Cyclicity of operations
A significant portion of the Company's revenue is derived from the sale of rubber and chemical products. Due to the nature of the Company's income, there is no defined pattern of cyclicity or seasonality of operations and profitability.