# ABRIDGED UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 31 MARCH 2019



UNAUDITED

<u>751,746</u> 751,746

# FINANCIAL HIGHLIGHTS

		UNAUDITED					UNAUDITED		
REVENUE	$\rangle$	RTGS\$ 7.96 million	<b>50%</b>		PROFIT BEFORE TAXATION	>	RTGS\$ 3.56 million	667%	
EBITDA (excluding fair value adjustments)	$\rangle$	(RTGS\$ 1.98 million)	(236%)	-	BASIC EARNINGS PER SHARE (dollars)		RTGS\$ 0.00048	2,567%	

### **Chief Executive Officer's Statement**

#### INTRODUCTION

For the 2019 agricultural season, the Group received adequate rains for its farming activities. In March 2019, the Group's estates located in Chimanimani and Chipinge were affected by Tropical Cyclone Idai. The damage on the estates varied substantially, with the greatest effects being experienced at Roscommon Estate which is located in Chimanimani. While there was no loss of life, damage was incurred on infrastructure, including roads, bridges, irrigation equipment, housing and to a lesser extent, orchards.

The Group is currently seized with rebuilding the infrastructure that was damaged. Early indications are that US\$1.5 million is required for this rehabilitation work. The Group is engaged with the matter through an insurance claim.

## FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE The Group's revenue for the half year increased by 50% to RTGS\$ (\$) 796 million from \$5.31 million realised during the comparative period. Revenue growth was driven by better pricing being achieved on export crops due to quality improvement and also the effect of the interbank rate where the RTGS\$ has depreciated against the US\$. Prior year financial information was presented in the US\$ reporting currency whereas the current year financial information is shown in RTGS\$ which is the Group's reporting currency effective of 21 February 2019.

Operating expenses grew by 249% against prior year, reflecting the effect of the depreciation of the RTGS\$ against the US\$. The majority of the Group's suppliers were quoting prices in RTGS\$ at an implied rate higher than the official interbank rate, which contributed to the growth in operating expenses. Whilst the Group is a predominantly export orientated business, it's export revenues are largely generated in the second half of the year while costs of production and operating expenses are largely incurred in the first half of the year. The Group recorded an operating loss before fair value adjustments of \$2.90 million compared to \$0.50 million for the prior comparative period. The growth in fair value adjustments for the half year costs of so the underlying interbank exchange rate on the fair value of growing and mature crops destined for the export market which had not been harvested at half year.

The Group closed the half year with a profit after tax of \$0.79 million compared to \$0.028 million for the prior comparative period.

Positive steps in restructuring of the Group's statement of financial position continued. The Group was able to restructure the majority of its debt into long tenure and the weighted average interest rate continued to decline from 8% p.a. to 6% p.a.

# VOLUME AND OPERATIONS

### Macadamia

Macadamia At half year, 19% of the crop had been harvested and sold. Full year volumes are expected to be in line with prior year, however, the average export price is higher than prior year as quality has continued to improve. Year to date sales volumes at 289 tonnes were 2% behind prior year comparative period's 294 tonnes.

Tea Tea production for the six-month period improved by 6% to 1,954 tonnes from 1,851 tonnes achieved in the prior comparative period. Full year production volume is expected to be in line with prior year. Export tea sales for the six-month period improved by 18% to 1,088 tonnes compared to 921 tonnes for the prior comparative period. Average export prices improved by 13% in the period over prior year. Local tea sales at 346 tonnes are trailing prior year's 375 tonnes.

#### Stone and pome fruit

Harvesting and selling of stone fruit had been completed as at half year. Production volumes grew by 37% to 1,207 tonnes compared to 881 tonnes for prior year. Sales at \$0.82 million were 81% ahead of the prior comparative period.

Whilst harvesting of pome fruit had commenced, only 552 tonnes representing 38% of the fruit had been harvested. At half year, revenue of \$0.94 million was 214% ahead of the prior comparative period's \$0.30 million.

Other products The products described above contribute 89% (81% in prior comparative period) to the Group's total revenue. The other products representing 11% also contributed positively to the Group's overall performance.

# OUTLOOK

The positive trends shown in the first half of the year are expected to continue into the second half of the year. Due to the cyclical nature of our agricultural model, the majority of our harvesting and selling activities occur in the second half of the year.

Export prices for macadamia and tea are expected to remain stable at current levels. The introduction of the interbank market rate will ensure that the Group's export revenues are reflected at market related fair value when reported in RTGS\$. The Group is continuing on its financial recovery path.

#### DIVIDEND

In view of working capital constraints, the need to revitalise the productive assets and the need to preserve available cash resources, the Board has seen it prudent not to declare a dividend.

DIRECTORATE There have been no changes in the Board's composition in the period under review.

APPRECIATION

Management and staff are grateful for the continued support given by the Board, shareholders and the Group's various stakeholders. The Board and management would like to express their gratitude for the commitment and ingenuity displayed by staff resident in Chipinge and Chimanimani areas during and after Tropical Cyclone Idai.

# BY ORDER OF THE BOARD

# P.T. SPEAR CHIEF EXECUTIVE OFFICER

12 JUNE 2019

### Abridged Group Statement of Profit or Loss and Other Comprehensive Income

UNAUDITED Half year ended tes 31 March 2019	UNAUDITED Half year ended 31 March 2018
8 7,962,184	5,309,997
(4,430,752)	(4,024,746)
3,531,432	1,285,251
301,694	1,271,783
(6,731,458)	(1,927,287)
(2,898,332)	629,747
7,212,470	502,708
4,314,138	1,132,455
(754,226)	(668,282)
3,559,912	464,173
3 (2,770,818)	(435,692)
789,094	28,481
-	-
789,094	28,481
1,627,395,595 1,627,395,595	1,627,395,595 1,621,895,595
0.00048	0.000018
0.00048	0.000018
	0.00048

### Abridged Group Statement of Financial Position

		UNAUDITED As at	UNAUDITED As at	AUDITED As at
All figures in RTGS\$	Notes	31 March 2019	31 March 2018	30 September 2018
ASSETS				
Non-current assets				
Property, plant and equipment		33,271,713	32,893,662	33,004,376
Biological assets		302,080	265,115	274,481
Investment in joint ventures		67,630		67,630
Deferred tax		3,207,583	4,739,507	4,200,891
Current assets		36,849,006	37,898,284	37,547,378
Biological assets		12,231,295	4,667,329	5,062,515
Inventories		3,321,220	2,270,790	1,920,572
Trade and other receivables		4,918,844	1,065,113	1,751,504
Cash and cash equivalents		595,518	417,189	93,462
Cash and Cash equivalents	1	21,066,877	8,420,421	8,828,053
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TOTAL ASSETS		57,915,883	46,318,705	46,375,431
EQUITY				
Share capital and reserves		1 007005	4 007005	4 007005
Share capital		1,627,395	1,627,395	1,627,395
Share premium Share-based payment reserve		10,922,292	10,922,292 940	10,922,292
Distributable reserves		5.284.247	1,668,575	4,495,153
Distributable reserves		17,833,934	14,219,202	17.044.840
LIABILITIES		17,000,004	14,213,202	17,044,040
Non-current liabilities				
Borrowings	7	17,648,684	13,900,988	13,644,210
Deferred tax		10,495,586	8,884,093	8,718,076
Finance lease obligation		191,010	124,604	159,175
Ũ		28,335,280	22,909,685	22,521,461
Current liabilities				
Trade and other payables	6 7	9,625,822	5,951,271	4,457,403
Borrowings	7	1,911,245	3,138,239	2,137,850
Finance lease obligation		209,602	100,308	213,877
	-	11,746,669	9,189,818	6,809,130
TOTAL EQUITY AND LIABILITIES	-	57,915,883	46,318,705	46,375,431

Abridged Group Statement of Changes in Equity							
All figures in RTGS\$	Share Capital	Share Premium	Share- based Payment Reserve	Distributable Reserves	Total		
Balance as at 31 March 2018 Transfer to distributable reserves on expiry of	1,627,395	10,922,292	940	1,668,575	14,219,202		
share options Total comprehensive income for the period	-	-	(940)	940 2.825.638	- 2.825.638		
Total comprehensive income for the period	1,627,395	10,922,292		4,495,153 789.094	17,044,840 789,094		
Balance as at 31 March 2019	1,627,395	10,922,292	-	5,284,247	17,833,934		

### Abridged Group Statement of Cashflows

All figures in RTGS\$	UNAUDITED Half year ended 31 March 2019	UNAUDITED Half year ended 31 March 2018
Cash flows from operating activities Profit before interest and taxation Non-cash items Cash (out)/inflow from operations Finance costs Income taxes paid Changes in working capital <b>Cash utilised in operating activities</b>	4,314,138 (6,347,613) (2,033,475) (754,226) 	1,132,455 277,872 1,410,327 (668,282) (1.880,217) (1,138,172)
Cash flows from investing activities Cash utilised in investing activities Cash utilised in investing activities	(1,116,103) (1,116,103)	(618,456) (618,456)
Cash flows from financing activities Cash generated from financing activities Cash generated from financing activities	<u>3,805,429</u> <b>3,805,429</b>	2,005,954 <b>2,005,954</b>
Net cash inflow Cash and cash equivalents at beginning of period Cash and cash equivalents at end of period Supplementary Information	<b>502,056</b> 93,462 <b>595,518</b>	249,326 167,863 417,189

#### UNAUDITED If year ended 1 March 2019 Half vear ended All figures in RTGS\$ 31 March 2018 Depreciation 1. Depreciation of property, plant and equipment excluding bearer plants Depreciation of bearer plants 560,51 509,08 321,623 882,134 325,848 **834,929** 2. Impairment Impairment loss recognised <u>33,368</u> 33,368 The impairment loss recognised during the period relates to the South-down Estates' operations. The impairment loss was determined on items of property, plant and equipment damaged and or destroyed by Tropical Cyclone Idai which occurred during the month of March 2019. The recoverable amount was determined on the basis of value in use at period end. The impairment loss recognised was included in the operating expenses line of the Abridged Group Statement of Profit or Loss and Other Com-prehensive Income. Income tax expense 3. Current tax Deferred tax <u>2,770,818</u> 2**,770,818** 435,692 435,692 Capital expenditure for the period Purchase of property, plant and equipment excluding bearer plants Capital expenditure incurred on bearer plants 4. 998,924 555.59 11/1/9 **1,116,103** 142,857 698,456 Commitments for capital expenditure Authorised by directors but not contracted 5. 493,787 **493<u>,</u>787**

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The capital expenditure will be financed out of the Group's own resources and existing facilities.

	All figures in RTGS\$	UNAUDITED As at 31 March 2019	UNAUDITED As at 31 March 2018	AUDITED As at 30 September 2018
6.	<b>Trade and other payables</b>	5,818,556	1,702,889	1,287,620
	Trade payables	3,807,266	<u>4,248,382</u>	3,169,783
	Other payables	9,625,822	5,951,271	4,457,403
7.	<b>Borrowings</b>	17,648,684	13,900,988	13,644,210
	Long-term borrowings	<u>1,911,245</u>	3,138,239	2,137,850
	Short-term borrowings	19 559 929	17039,227	15,782,060

The weighted average effective interest rate on borrowings is 6% per annum (2018: 8% per annum). Borrowings are secured by property, plant and equipment and trade and other receivables of the Group.

8. Reportable segments

All figures in RTGS\$	South- down Estates	Clare- mont Estate	Kent Estate	Corporate Office	Total
<b>31 March 2019</b> Segment revenue Segment EBITDA (excl. fair value adjustments) Segment depreciation	5,674,680 1,562,179 (449,739)	1,789,450 783,677 (161,731)	498,054 (409,117) (76,989)	(3,919,569) (193,675)	7,962,184 (1,982,830) (882,134)
<b>31 March 2018</b> Segment revenue Segment EBITDA (excl. fair value adjustments) Segment depreciation	3,834,940 470,999 (437,673)	868,122 70,995 (129,486)	606,935 (236,017) (72,154)	- 1,158,699 (195,616)	5,309,997 1,464,676 (834,929)

Currency change In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019 (SI 33), which directed that all assets and liabilities that were denominated in United States of America Dollars (US\$) immediately before 20 February 2019 be deerned to have been denominated in RTGS\$ at an exchange rate of 1:1 to the US\$. The guidance issued by the Public Accountants and Auditors Board (PAAB) notes that this is contrary to the requirements of IAS 21 on foreign currency translation. The Group reported the Statement of Profit or Loss and Other Comprehensive Income transactions on the basis of 1:1 in compliance with I3 33 for the period up to 20 February 2019 and all transactions post that date were translated in accordance with IAS 21 at the official interbank rate.

Currency of reporting The Group financial results are presented in RTGS\$, which is the Group's functional currency effective of 21 February 2019.

#### 11. Statement of compliance

Statement or compliance The Group financial results, where practicable, have been prepared in compliance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by IASB as well as the Standing Interpretations Committee (SIC), the requirements of the Companies Act (Chapter 24:03), the Zimbabwe Stock Exchanges rules and the relevant Statutory Instruments.

Due to the requirements of Statutory Instrument 33 of 2019 (SI 33), it was not practical to comply with the requirements of IAS 21. The Effect of Changes in Foreign Exchange Rates. This has a significant impact on the Group's financial distances of the Group's financial distances. statements

The Abridged Group financial results do not include all the information and disclosures to fully comply with IFRS.

#### 12. Basis of preparation

The Group financial results have been prepared on the historical cost basis except for biological assets (excluding bearer plants) and certain financial instruments that are measured at fair value less costs to sell and fair value respectively.

#### 13. Basis of consolidation

The Group financial results incorporate the financial statements of the Company, its subsidiaries and entities controlled by the Company (including special purpose entities). All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### 14. Accounting policies

The Group has adopted all the new and revised accounting pronouncements applicable for the period ending 31 March 2019 as issued by the International Accounting Standards Board (IASB). The accounting policies adopted in the preparation of the consolidated financial statements as at 30 September 2018 have been consistently applied in these Group financial results.

# 15. Contingent liabilities There were no conting

ngent liabilities at reporting date.

## 16. Going concern The directors ha

Going concern The directors have assessed the ability of the Group to continue operating as a going concern by reviewing the prospects of the Group. These assessments considered the Group's financial performance for the period ended 31 March 2019, the financial position as at 31 March 2019 and the current and medium term forecasts for the Group. Based on this background, the directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, these financial results were prepared on a going concern basis.

17. Events after reporting date There have been no significant events after the reporting date.

Directors: Mr. A.C. Jongwe (Chairman), Mr. P.T. Spear\* (Chief Executive Officer), Mr. I. Chagonda, Mr. C.P. Conradie, Dr. A.J. Masuka, Mrs.T.C. Mazingi, Mr. J.W. Riekert. \* Executive