

ABRIDGED UNAUDITED RESULTS
FOR THE HALF YEAR ENDED 31 MARCH 2019



	TURNOVER RTGS\$9,6m
TURNOVER UP BY 62%	OPERATING PROFIT RTGS\$10,3m (2018: RTGS\$0,3m)

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2019

	UNAUDITED SIX MONTHS TO MARCH 2019 RTG\$	UNAUDITED SIX MONTHS TO MARCH 2018 RTG\$
Revenue	9,626,169	5,945,510
Gross Profit	4,935,265	1,574,301
Expenses	(1,830,238)	(818,847)
Other income	7,251,262	-
Operating profit	10,356,289	755,453
Interest income	2,594	15,215
Interest expense	(92,673)	(333,899)
Profit before taxation	10,266,210	436,769
Taxation	(1,270,621)	(112,625)
Profit for the half year	8,995,589	324,144
Number of shares in issue	1,778,001,428	1,778,001,428
Weighted average number of shares	1,778,001,428	1,778,001,428
Earnings per share - cents	0,506	0,018
Headline earnings per share - cents	0,144	0,018

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	UNAUDITED SIX MONTHS TO MARCH 2019 RTG\$	AUDITED 12 MONTHS TO SEPTEMBER 2018 RTG\$
Assets		
Non current assets	23,332,555	19,608,397
Property, plant and equipment	19,230,695	19,608,397
Investments	4,101,860	-
Current assets	11,918,995	10,793,699
Inventory	6,974,786	3,578,027
Trade & other receivables	3,502,287	3,018,135
Finance lease receivable	55,605	118,380
Cash and Cash equivalents	1,386,317	1,237,631
Assets held for sale	-	2,841,526
Total assets	35,251,550	30,402,096
Equity and liabilities		
Equity	23,407,074	14,616,877
Share capital	88,900	88,900
Asset revaluation reserve	5,673,570	7,914,204
Retained income	17,644,604	6,613,773
Non current liabilities	4,323,299	5,542,099
Medium to long term borrowings	82,899	870,177
Deferred taxation	4,240,400	4,671,922
Current liabilities	7,521,177	10,243,120
Short term borrowings	43,926	5,240,220
Trade & other payables	4,171,266	4,346,352
Taxation	2,955,083	131,885
Finance lease liability - current portion	55,605	118,380
Provisions	295,297	264,207
Liabilities for assets held for sale	-	142,076
Total equity and liabilities	35,251,550	30,402,096

ABRIDGED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 MARCH 2019

	UNAUDITED SIX MONTHS TO MARCH 2019 RTG\$	UNAUDITED SIX MONTHS TO MARCH 2018 RTG\$
Profit before taxation	10,356,289	436,769
Adjustments for non-cash items:		
Profit from the joint venture	(101,860)	(37,410)
Depreciation	589,270	475,123
Profit on Sale of property, plant and equipment	(6,431,517)	-
Allowance for Credit losses	284,077	-
Exchange gain	(656,589)	-
Movement in provisions	31,090	(84,594)
Interest expense	100,779	333,900
Interest income	(10,700)	(15,215)
Cashflow before changes in working capital	4,160,839	1,108,573
Working capital changes		
(Increase)/Decrease in inventories	(3,396,758)	420,609
Increase in trade and other receivables	(1,136,898)	(1,340,316)
Decrease in trade and other payables	(178,917)	288,038
Cash generated from operating activities	(551,734)	476,904
Interest paid	(100,779)	(140,602)
Interest received	10,700	15,215
Taxation	(166,847)	-
Net cash generated/(utilised) during the year	(808,661)	351,517
Cashflow from investing activities	7,033,390	(229,875)
Investments	(4,000,000)	-
Purchase of property, plant & equipment	(210,885)	(324,257)
Proceeds from sale of property, plant & equipment	11,181,500	-
Lease installment receipt	62,775	94,382
Cashflow from financing activities	(6,036,945)	(414,183)
Lease repayments	(62,775)	(94,382)
Loan repayment	(5,974,170)	(319,801)
Net decrease in cash & cash equivalents	187,784	(292,541)
Cash & cash equivalents at beginning of the year	1,198,533	63,236
Cash and bank	1,237,631	803,997
Bank overdraft	(39,098)	(740,761)
Cash & cash equivalents at end of the period	1,386,317	(229,305)
Cash and Bank	1,386,317	320,512
Bank Overdraft (Diclosed as part of short term borrowings)	-	(549,817)

ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2018

	SHARE CAPITAL RTG\$	ASSETS REVALUATION RESERVE RTG\$	ACCUMULATED PROFIT RTG\$	TOTAL EQUITY RTG\$
As at 31 March 2018	88,900	7,914,204	6,613,773	14,616,877
Change in Accounting Policy	-	-	(205,392)	(205,392)
Profit for the year	-	-	8,995,589	8,995,589
Land Revaluation surplus	-	(2,240,634)	2,240,634	-
As at 31 March 2019	88,900	5,673,570	17,644,604	23,407,074

SIGNIFICANT EVENTS AND TRANSACTIONS

1. Change In Functional Currency

On 1 October 2018, the Reserve Bank of Zimbabwe ("RBZ") announced measures aimed at strengthening the multi-currency system by introducing separate bank accounts for RTGS FCAs and Nostro FCAs. Bank accounts in Zimbabwe were separated and designated as such. The RTGS FCA bank accounts and Nostro FCA bank accounts were officially designated as being at par. On 20 February 2019, the RBZ announced the official designation of the existing RTGS FCAs, bond notes and coins in circulation then as "RTGS dollars" in order to establish an exchange rate between the current monetary balances and foreign currency. On 22 February 2019 Statutory Instrument ("SI") 33 of 2019 gave official existence to the new currency. The RTGS dollar is to be used by all entities, including Government and individuals in Zimbabwe, for the purposes of pricing of goods and services, recording debts, accounting and settlement of domestic transactions in Zimbabwe, thereby effectively becoming the functional currency in Zimbabwe with effect from 22 February 2019. In addition, SI 33 was issued by the RBZ on 22 February 2019 ("the Effective Date"). SI 33 prescribed, among other directives, that for accounting and other purposes, all local assets and local liabilities in Zimbabwe that were immediately before the Effective Date valued in US\$ (other than assets and liabilities referred to in section 44C(2) of the Reserve Bank of Zimbabwe Act) shall on and after the Effective Date be deemed to be values in RTGS dollars at a rate of 1:1 to the US\$.
2. Financial Information

Financial information has not been audited for the interim reporting period. Audited financial information will be published for the full year ending 30 September 2019. The presentation currency is RTGS dollars (RTG\$).
3. Capital Expenditure

	UNAUDITED SIX MONTHS TO MARCH 2019 RTG\$	UNAUDITED SIX MONTHS TO MARCH 2018 RTG\$
Commitments for capital expenditure		
Contracted and orders placed	210,855	125,076
Authorised by directors but not contracted for	567,500	727,924

The capital expenditure is to be financed out of the Company's own resources
4. Net Interest Bearing Debts

	31 MARCH 2019 RTG\$	30 SEPTEMBER 2018 RTG\$
Borrowings	126,725	6,552,786

The average cost of borrowings is 10% and secured by a cession of inventory.
5. Preference Shares

The preference shares have since been redeemed in full and delisted effective 8 April 2019.
6. Investment

The entity utilised part of the proceeds, RTGS\$4m, from the authorised sale of land to invest in a property development project.
7. Accounting Convention

The abridged financial statements are based on statutory records that are maintained on a historical cost basis except for land and buildings included in property, plant and equipment that have been measured at fair value, and have, in all material respects, been prepared applying applicable accounting policies that are consistent with the prior year, adjusted for necessary changes/amendments effective for the current period. The abridged financial statements have been prepared in terms of the Zimbabwe Stock Exchange rules and requirements of the Companies Act. The principal accounting policies of the company have been consistently followed in all material respects from prior year except for the adoption of IFRS 9. The financial statements have been prepared in line with the guidance provided for in the statutory instrument and IAS 21: The Effects of Changes in Foreign Exchange Rates. The rates used for conversion were obtained from the Interbank market whereas the previous exchange rate was on a 1:1 basis with the US Dollar.
8. Other Income

Included in Other Income is RTGS\$6,4m profit from the sale of land.
9. IFRS 9 Adoption

Adoption of IFRS 9 resulted in an adjustment of RTGS\$0,2m to the opening accumulated profit.
10. Event After Reporting Date

Subsequent to the end of the period under review the directors resolved to reorganize the ownership of the joint venture, Willdale Transport Services, with a view to whole ownership. Negotiations are at an advanced stage. This will not have a material impact as any result thereof will be limited to the carrying amount of the investment.
11. Company Information

Willdale Limited is a company incorporated and domiciled in Zimbabwe. The company's main activity is the manufacturing and selling of clay bricks with the objective of being a low cost and profitable market leader. The prevailing liquidity crisis in the economy presents challenges in securing long term funding for business. However, the company estimates that it will have sufficient resources to implement its business plan in the short to medium term.

COMMENTARY - 6 MONTHS ENDED 31 MARCH 2019

Introduction

The business performed relatively well despite a difficult operating environment whose major highlights were high inflation, shortages of foreign currency and declining sales volumes.

Results

Revenue for the half year grew by 62% to RTGS\$9,6m compared to the same period in the prior year. A combination of pricing reviews and cost management helped to safeguard margins in the light of rising inflation. Operating profit rose to RTGS\$10,3m (2018: RTGS\$0,775m) after charging RTGS\$0,589m to depreciation of property, plant and equipment (2018: RTGS\$0,475m). Included in the Operating profit is RTGS\$3,9m profit from sale of bricks and RTGS\$6,4m from the profit on sale of land. The translation of foreign exchange gains totaling RTGS\$0,657m. Net financing costs declined to RTGS\$0,09m (2018:RTGS\$0,3m) following the repayment of most of the interest-bearing debt. The piece of land approved for disposal by shareholders at an extraordinary general meeting held on 26 May 2017 was sold for RTGS\$11,2m. Proceeds were utilized to retire debt while RTGS\$4m was invested in a property development project.

Market

Demand for bricks remained high underpinned by housing development and school upgrading projects. However, product off-take was hindered by lack of financing as increasing inflation and depleting earnings affected disposable incomes and mortgage refinancing. New ranges of face bricks, namely the Topaz and Travertine, were introduced during the period under review further buttressing the company's dominance as a face brick supplier. The second half of the year continues to witness high demand for bricks as investment in property remains one of the key hedges against inflation.

Operations

Extensive maintenance was carried out on plant and machinery during the shutdown period. Extrusion started earlier than in prior years following the low rainfall in the past rainy season resulting in improved stock levels. Although plant and resource availability are high, the second half is witnessing low utilization due to frequent power cuts. Efficiency levels in the second half will be dependent on the stable availability of electricity, diesel fuel and labour, all of which are crucial production factors.

Outlook

Mortgage financing and disposable incomes have become unintended casualties of the ongoing economic stabilization program. This has affected volume growth in the industry. We however remain confident of a boom in the industry once economic fundamentals stabilize. Cost management and efficient production will be the focal areas during this transitional phase. We expect profit margins to remain high in the second half of the year.

Dividend

The Directors have declared an interim dividend of RTGS\$0,035 cents per share on all ordinary shares with respect to the period ended 31 March 2019. The dividend is payable to shareholders registered in the books of the Company at the close of business on 12 July 2019 and will be paid on or about 23 July 2019. The shares of the company will be traded cum-dividend ("with dividend") on the Zimbabwe Stock Exchange up to the market day of 9 July 2019 and ex-dividend as from 10 July 2019.Shareholders are advised to update their bank details with First Transfer Secretaries at 1 Armagh Avenue, Eastlea, Harare, email zmazhandu@fts-net.com.

Appreciation

On behalf of the Board, I would like to express my appreciation to management and staff for achieving such positive results in a difficult operating environment. We are grateful for the continued support from all our stakeholders.

Mount Hampden
26 June 2019

C Makoni
Chairman