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# Group Unaudited Financial Results

For the Half Year Ended 31 March 2017



## HIGHLIGHTS

- Revenue increased by 8%
- Operating expenses increased by 19%
- Operating profit increased by 17%
- Margins increased by 2 percentage points

**Directors:** Dr T. U. Wushe (Chairman), M. Macheka (Acting Chief Executive Officer)\*,  
O. Mutasa, M. Chundu, M. Oakley, A. C. Chingwecha\*      \* Executive

## ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended	Unaudited 31 March 2017 US\$ 000	Unaudited 31 March 2016 US\$ 000
Revenue	15 207	14 133
Cost of sales	(9 054)	(8 780)
Gross profit	6 153	5 353
Other income	408	190
Operating expenses	(4 577)	(3 847)
Operating profit	1 984	1 696
Share of joint venture profit	47	82
Fire loss	(8)	(174)
Profit before interest and tax	2 023	1 604
Finance costs	(747)	(598)
Profit before tax	1 276	1 006
Income tax expense	(22)	(114)
Profit after tax	1 254	892
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Translation of foreign subsidiaries	174	23
Other comprehensive income for the year net of tax	174	23
Total comprehensive income for the year net of tax	1 428	915
Earnings per share (cents)		
Basic	0.27	0.22
Diluted	0.27	0.22

## ABRIDGED STATEMENT OF FINANCIAL POSITION

As at	Unaudited 31 March 2017 US\$ 000	Audited 30 September 2016 US\$ 000
ASSETS		
Non-current assets		
Property plant and equipment	13 750	13 961
Investment property	3 200	3 200
Biological assets	4 412	4 543
Deferred tax assets	424	424
Investment in joint venture and associate	630	583
Other investments	14	14
Total non-current assets	22 430	22 725
Current assets		
Inventories	4 373	4 323
Trade and other receivables	3 665	3 148
Cash resources	456	647
Total Current Assets	8 494	8 118
TOTAL ASSETS	30 924	30 843
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	47	47
Share premium	4 378	4 378
Reserves	7 929	6 501
Shareholders' equity	12 354	10 926
Non-current liabilities		
Accounts payables	707	1 013
Deferred tax liabilities	1 823	1 820
Interest bearing loans and borrowings	2 058	2 113
Total non-current liabilities	4 588	4 946
Current liabilities		
Trade and other payables	9 611	10 117
Provisions	562	485
Income tax payable	578	578
Interest bearing loans and borrowings	3 161	3 728
Bank overdrafts	70	63
Total current liabilities	13 982	14 971
Total liabilities	18 570	19 917
TOTAL EQUITY AND LIABILITIES	30 924	30 843

## ABRIDGED STATEMENT OF CASH FLOWS

For the Half year ended	Unaudited March 2017 US\$ 000	Unaudited March 2016 US\$ 000
Cash flow from operating activities:		
Cash generated from operations	1 417	1 234
Finance costs	(747)	(598)
Tax paid	(22)	(21)
Cash generated from operating activities	648	615
Cash flow from investing activities:		
Purchase of property, plant and equipment	(371)	(226)
Decrease in biological assets	131	-
Proceeds on disposal of property, plant and equipment	1	40
Cash utilized in investing activities	(239)	(186)
Cash flow from financing activities:		
Proceeds from borrowings	289	363
Repayment of borrowings	(913)	(867)
Cash utilised in financing activities	(624)	(504)
Decrease in cash and cash equivalents	(215)	(75)
Net foreign exchange differences	17	10
Cash and cash equivalents at the beginning of the period	584	245
Cash and cash equivalents at the end of the period	386	180
Comprising:		
Cash resources	456	233
Overdrafts	(70)	(53)
Cash and cash equivalents at the end of the period	386	180

## ABRIDGED STATEMENT OF CHANGES IN EQUITY

US\$ 000	Share Premium	Share Capital	Non- Distributable Reserves	Distributable Reserves	Total
At 1 October 2015	47	4 378	9 722	(5 247)	8 900
Profit for the period	-	-	-	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
Profit for the period	-	-	-	1 254	1 254
Other comprehensive income	-	-	174	-	174
Total comprehensive income	-	-	174	1 254	1 428
At 31 March 2017	47	4 378	10 001	(2 072)	12 354

## GROUP SEGMENT RESULTS

Mar 17	Paper Batteries US\$ 000	US\$ 000	Forests US\$ 000	Eversharp US\$ 000	Central Administration US\$ 000	Group US\$ 000
Revenue	2 595	9 369	617	2 626	-	15 207
External customer	52	1 290	22	520	100	1 984
Operating profit						
Finance cost	(133)	(132)	(1)	(170)	(311)	(747)
Net Segment assets	3 610	6 587	6 376	400	(4 619)	12 354
Capital expenditure	(26)	(170)	-	(7)	(168)	(371)
Depreciation	(100)	(335)	(27)	(76)	(21)	(559)

Mar 16	Paper Batteries US\$ 000	US\$ 000	Forests US\$ 000	Eversharp US\$ 000	Central Administration US\$ 000	Group US\$ 000
Revenue	2 294	8 974	342	2 523	-	14 133
External customer	47	1 137	18	481	13	1 696
Operating profit						
Finance cost	(26)	(127)	(2)	(18)	(425)	(598)
Net Segment assets	4 002	4 676	6 771	391	(6 025)	9 815
Capital expenditure	(51)	(142)	-	(33)	-	(226)
Depreciation	(124)	(247)	(29)	(72)	(22)	(494)

## NOTES TO THE ABRIDGED INTERIM FINANCIAL STATEMENTS

- Basis of preparation**  
The consolidated financial results 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.
- Currency of reporting**  
The financial results are prepared in United States Dollars (US\$)
- Statement of compliance**  
The abridged consolidated financial results have been prepared in accordance with the Zimbabwe Stock Exchange Listing Rules.
- Statement of accounting policy**  
The accounting policies in the preparation of the 2017 interim consolidated financial results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2016.  
  
Several other new Standards and Amendments apply for the first time for the Group from 1 October 2016. However, they do not materially impact the interim consolidated financial statements of the Group.
- Capital expenditure commitments**

	2017 USD 000	2016 USD 000
Authorised and contracted	-	1 682
Authorised but not yet contracted	1 939	3 045
Total	1 939	4 727

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

6. Total borrowings split						
	31 March 2017			30 September 2016		
USD 000's	Short-term and Over-draft	Long-term	Total	Short-term and Over-draft	Long-term	Total
Group	3 231	2 058	5 289	3 791	2 113	5 904

The average cost of borrowing was 15%, US\$6million worth of property has been pledged as security for borrowings.

7. Lease commitments	Minimum payments US\$000	Present value of payments US\$000	Minimum payments US\$000	Present value of payments US\$000
Within one year	182	152	279	194
After one year but not later than five years	1 548	1 155	2 109	1 412
More than five years	-	-	-	-
Total minimum lease payments	1 730	1 307	2 388	1 606
Less amounts representing finance charges	(423)	-	(782)	-
Present value of minimum lease payments	1 307	1 307	1 606	1 606

## COMMENTARY

### OVERVIEW

I am pleased to present the half year results for the period ended 31 March 2017. The Group's positive trajectory continued in the first half of the year as all business units performed well despite the poor liquidity and foreign currency availability challenges in the environment. The proactive and prudent measures taken to reduce the cost base and improve operational efficiencies have yielded positive results and cushioned the business against the adverse effects of the operating environment.

### FINANCIAL

The Group's revenue at \$15.2m was 8% higher than last year mainly due to an increase in battery sales in Zimbabwe. Gross margins improved to 40% (2016: 38%) An operating profit of \$2m was recorded during the period from \$1,7m posted in the prior period. The Group posted a profit before tax of \$1,3m (2016: \$1m). Included in the operating expenses are once off retrenchment costs and increased marketing support for the Exide brand. The Group also incurred interest on overdue creditor accounts of \$290,000 during the half year.

### OPERATIONS

The Batteries Division achieved an operating profit of \$1.3m. Sales volumes increased by 26% as a result of improved product availability and the exploitation of opportunities presented by the policy measures in support of local production. The Zambia business recovered in the second quarter and traded at marginal loss of \$66,000. An improved second half performance is anticipated in Zambia which should bring the unit back to profitability.

The Paper Division recorded an operating profit of \$52,000 compared to a loss of \$16,000 in 2016. Kadoma volumes were 11% higher than prior year while National Waste volumes were 15% down from last year due to the general wet conditions in the country which reduced waste paper collection by 17%.

Eversharp performed well during the period with pen sales 4% above last year. Consequently, Eversharp posted a better operating profit of \$520,000 compared to \$465,000 in March 2016.

The Mutare Forests posted a marginal profit of \$22,000 compared to a loss of \$168,000 in 2016 on the back of increased timber demand.

### BALANCE SHEET AND CASHFLOW

The Balance sheet grew by 13% due to improved profitability during the half year. The Group's total borrowings at \$5,3m and the creditor's balance of \$10, 3 million remain an area of focus. The Group continues to pursue debt restructuring options to strengthen the Balance sheet. Cash generated from operations was \$1,4m compared to \$1,2m in the prior period and this helped to improve the working capital position of the business.

### DIVIDEND

The Company is not in a position to declare a dividend as it is necessary to conserve cash in the business.

### DIRECTORATE

Mr Elisha Moyo and Mr Tapiwa Ameer resigned from the Board during the period. I would like to thank them for their contributions to the Board during their tenure and wish them well in their future endeavours. Following the departure of Mr Ameer as Chief Executive Officer on 1 March 2017, Mr Milton Macheka was appointed Acting Chief Executive Officer of the Group.

### OUTLOOK

The current liquidity challenges and foreign currency shortages in the economy are expected to continue thus will affect the business' ability to fully exploit opportunities in the market. Management will focus on growing export revenues and improving efficiencies to boost profitability whilst consolidating its retooling initiatives.

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

T U Wushe  
**CHAIRMAN**  
23 May 2017