



ABRIDGED UNAUDITED GROUP FINANCIAL RESULTS

for the half year ended 31 March 2018



Directors: Dr T. U. Wushe (Chairman) M. Macheka (Chief Executive Officer)* O. Mtasa
M. Oakley Y.C Baik (Alternate) A. M. Chingwecha* * Executive

CHLORIDE CA



EVERSHARP



MUTARE ESTATES

HIGHLIGHTS

- Revenue increased by 45%
- Operating profit increased by 114%
- Gross profit margin increased by 3%
- EBITDA increased by 97%

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended	Unaudited 31 March 2018 US\$ 000	Unaudited 31 March 2017 US\$ 000
Revenue	22 095	15 207
Cost of sales	(12 608)	(9 054)
Gross profit	9 487	6 153
Other income	247	408
Operating expenses	(5 496)	(4 577)
Operating profit before fair value adjustments and impairments	4 238	1 984
Share of Joint Venture & Associate Profit	249	47
Fire Loss	-	(8)
Operating Profit before interest and tax	4 487	2 023
Finance costs	(560)	(747)
Profit before tax	3 927	1 276
Income tax expense	(235)	(22)
Profit after tax	3 692	1 254
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Translation of foreign subsidiaries	(46)	174
Other comprehensive income for the year net of tax	(46)	174
Total comprehensive income for the year net of tax	3 646	1 428
Earnings per share (cents)		
Basic	0.78	0.27
Diluted	0.78	0.27

ABRIDGED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 March 2018	Share Capital	Share Premium	Non-Distributable Reserves	Distributable Reserves	Total
At 1 October 2016	47	4 378	9 827	(3 326)	10 926
Profit for the period	-	-	-	2 749	2 749
Other comprehensive income	-	-	(166)	-	(166)
Total comprehensive income	-	-	(166)	2 749	2 583
At 30 September 2017	47	4 378	9 661	(577)	13 509
Profit for the period	-	-	-	3 692	3 692
Other comprehensive income	-	-	(46)	-	(46)
Total comprehensive income	-	-	(46)	3 692	3 646
At 31 March 2018	47	4 378	9 615	3 115	17 155

CHAIRMAN'S STATEMENT

OVERVIEW

I take great pleasure in presenting to you the unaudited financial results of Art Holdings Limited for the half year ended 31 March 2018. The Group has produced commendable results despite the difficult trading environment which was characterised by worsening foreign currency shortages. The increased focus on export market development, import substitution initiatives and support from our partners enabled us to minimise operational challenges in our manufacturing units.

FINANCIAL

The Group's revenue at \$22m was 45% higher than the prior year as all business units recorded improved sales volumes. Gross profit margins improved to 43% from 40% in 2017. An operating profit of \$4.2m was recorded during the period compared to \$2m posted in the prior year. The Group posted a profit before tax of \$3.9m (2017: \$1.3m). Operating expenses increased as a result of deliberate brand and promotional activities as the Group consolidated its gains in the local market. Also included in the operating expenses is a provision of \$0.5m for tax penalties that are under appeal in Zambia.

OPERATIONS

All the Group's business units were profitable during the period with a strong performance coming from the battery division which achieved an operating profit of \$3.2m. Factory sales volumes increased by 25% on the back of improved product availability. The benefits of the capitalisation exercise were realised during the period as battery case supply challenges were addressed.

Chloride Zambia returned to profitability and posted an operating profit of \$191,775 compared to a loss of \$52,817 in the prior period.

The Paper division recorded an operating profit of \$285,016 compared to \$51,877 in 2017. Notably, Kadoma Paper Mills volumes were 16% higher than prior year.

The Softex Tissue business continued to perform well and posted an operating profit of \$331,298 (2017: \$150,952). Volumes increased by 11%.

Eversharp posted an operating profit of \$931,627 compared to \$519,965 in 2017 on the back of a 70% increase in regional sales.

Timber demand was firm during the period and enabled the Mutare business to achieve an operating profit of \$210,413 compared to \$22,082 in 2017.

BALANCE SHEET AND CASHFLOW

The Group's balance sheet grew by 28% due to the improved profitability during the half year. Borrowings were contained at \$5.4m whilst creditors decreased to \$9m from \$10.3m in 2017. The Group's net liability position reduced to \$1.7m from \$4.8m as at September 2017. Cash generated from operations was \$2m compared to \$0.6m.

DIVIDEND

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

DIRECTORATE

There were no changes to the Board during the period.

OUTLOOK

The Group will continue, despite the challenges of the operating environment, to explore opportunities in the region to grow revenues and generate foreign currency. Management will maintain focus on containing costs and enhancing sales generation by widening the Group's product range.

My sincere gratitude is extended to our customers, the Board, management, the entire team at ART and all other stakeholders for their continued support and contribution to the Group.

T U Wushe
CHAIRMAN
28 May 2018

ABRIDGED STATEMENT OF FINANCIAL POSITION

As at	Unaudited 31 March 2018 US\$ 000	Audited 30 September 2017 US\$ 000
ASSETS		
Non-current assets		
Property plant and equipment	14 608	14 520
Investment Property	3 200	3 200
Biological assets	4 922	4 955
Investment in joint venture and associate	1 041	796
Other investments	85	81
Total non-current assets	23 856	23 552
Current assets		
Inventories	7 123	6 245
Trade and other receivables	4 373	3 429
Cash resources	515	776
Total Current Assets	12 011	10 450
TOTAL ASSETS	35 867	34 002
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	47	47
Share premium	4 378	4 378
Reserves	12 730	9 084
Shareholders' equity	17 155	13 509
Non-current liabilities		
Accounts payables	197	341
Deferred tax liabilities	2 363	2 185
Interest bearing loans and borrowings	2 493	2 700
Total non-current liabilities	5 053	5 226
Current liabilities		
Trade and other payables	9 007	10 250
Provisions	1 215	727
Income tax payable	475	509
Interest bearing loans and borrowings	2 922	3 472
Bank overdrafts	40	309
Total current liabilities	13 659	15 267
Total liabilities	18 712	20 493
TOTAL EQUITY AND LIABILITIES	35 867	34 002

GROUP SEGMENT RESULTS

For the half year ended Mar 18	Paper Batteries US\$ 000	Forests US\$ 000	Eversharp US\$ 000	Administration US\$ 000	Central US\$ 000	Group US\$ 000
Revenue						
External customer	3 947	13 762	892	3 494	-	22 095
Operating profit	285	2 877	210	932	(66)	4 238
Finance cost	(16)	(197)	(2)	(7)	(338)	(560)
Net Segment assets	3 935	7 647	4 357	2 310	(1 094)	17 155
Capital expenditure	(58)	(399)	(86)	(169)	(61)	(773)
Depreciation	(94)	(451)	(29)	(87)	(26)	(687)

Mar 17	Paper Batteries US\$ 000	Forests US\$ 000	Eversharp US\$ 000	Administration US\$ 000	Central US\$ 000	Group US\$ 000
Revenue						
External customer	2 595	9 369	617	2 626	-	15 207
Operating profit	52	1 290	22	520	100	1 984
Finance cost	(133)	(132)	(1)	(170)	(311)	(747)
Net Segment assets	3 610	6 587	6 376	400	(4 619)	12 355
Capital expenditure	(26)	(170)	-	(7)	(168)	(371)
Depreciation	(100)	(335)	(27)	(76)	(21)	(559)

NOTES TO THE ABRIDGED INTERIM FINANCIAL STATEMENTS

- Basis of preparation**
The abridged 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 2018 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 2017.

Several other new Standards and Amendments apply for the first time for the Group from 1 October 2017. However, they do not materially impact the interim consolidated financial statements of the Group.
- Total borrowings split**

USD 000's	31 March 2018			30 September 2017		
	Short-term and Over-draft	Long-term	Total	Short-term and Over-draft	Long-term	Total
Group	2 962	2 493	5 455	3 781	2 700	6 481

The borrowings are secured by land and buildings valued at \$7m. The average interest rate was 11% (2017:12%).

6. Lease commitments	March 2018		March 2017	
	Minimum payments US\$000	Present value of payments US\$000	Minimum payments US\$000	Present value of payments US\$000
Within one year	33	27	182	152
After one year but not later than five years	1 500	1 287	1 548	1 155
More than five years	-	-	-	-
Total minimum lease payments	1 533	1 314	1 730	1 307
Less amounts representing finance charges	(219)	-	(423)	-
Present value of minimum lease payments	1 314	1 314	1 307	1 307

ABRIDGED STATEMENT OF CASH FLOWS

For the half year ended	Unaudited 31 March 2018 US\$ 000	Unaudited 31 March 2017 US\$ 000
Cash flows from operating activities:		
Cash generated from operations	2 546	1 417
Finance income	-	-
Finance costs	(547)	(747)
Tax paid	-	(22)
Cash generated from operating activities	1 999	648
Cash flows from investing activities:		
Purchase of property plant and equipment	(773)	(371)
Increase/(Decrease) in biological assets	(32)	131
Proceeds on disposal of property plant and equipment	25	1
Cash utilised in investing activities	(780)	(239)
Cash flows from financing activities:		
Proceeds from borrowings	229	289
Repayment of borrowings	(1 452)	(913)
Cash utilised in financing activities	(1 222)	(624)
Decrease in cash and cash equivalents	(4)	(215)
Net foreign exchange differences	12	17
Cash and cash equivalents at the beginning of the period	467	584
Cash and cash equivalents at the end of the period	475	386
Comprising:		
Cash resources	515	456
Overdrafts	(40)	(70)
Cash and cash equivalents at the end of the period	475	386