ARISTON HOLDINGS LIMITED

Registered Office: 306 Hillside Road, Msasa Woodlands, P O Box 4019, Harare, Zimbabwe.

# UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2016

## Chief Executive Officer's statement

**Introduction**

Rainfall in the first half of the season was very low on all estates. High temperatures and erratic power supplies combined to make the start of the season a difficult one. As a consequence, yields of most crops were below expectation with the exception of macadamia nuts. Tea yields have shown some recovery in the second half of the season in response to improved rainfall; dam levels have also recovered. Although the poor start to the season has placed a strain on cash flow the situation is easing as the season progresses.

**Macadamia and Tea**

Once again the macadamia harvest is set for another record crop. Overall quality is acceptable. Pricing is firm although the quality requirements of certain segments of the market are becoming more demanding.

Tea production is well below budget as a result of the low rainfall received in the first half of the season. Demand is firm and prices slightly higher than last season.

Sales of branded teas have been slightly below expectation in the first half of the year. Despite reduced sales this operation is performing well and we anticipate increased sales with the onset of winter.

**Horticulture**

Stone fruit yields were well above last year. Generally quality was excellent. Exports produced satisfactory results while local sales, which now contribute to the bulk of off-take, performed below expectation. Demand in the month of December was low and thus pricing was weak. Modest new plantings aimed at the export market are growing well.

The apple harvest is in progress; yields are in line with last year but below expectation primarily as a consequence of a hot and dry spring. Quality is generally good tempered by a higher than normal proportion of smaller fruit. Pricing is acceptable with strong competition from imports.

The small passion fruit orchard is producing as per expectation with firm export pricing.

**Annual Crops**

Potato production is down on last year as power shortages at Claremont made spring plantings impractical.

At Kent, the dam levels remain below optimum and cropping has been adjusted accordingly.

**Poultry**

Placements in the first half of the year remain at one site only. Performance has been acceptable. As previously advised, part of the poultry capacity continues to be subject to an on-going land dispute. Efforts to resolve the matter are on-going. Failure to successfully resolve this matter will result in a reduction in poultry placements due to lost capacity.

**Financial Performance**

The Group recorded revenue of US$3.8 million in the six months ended 31 March 2016 compared to US$5.6 million in the same period last year. The 32% drop in revenue was caused by missed potato plantings in the first quarter due to the poor start to the rainy season, erratic electricity supplies and delayed working capital facilities.

Southdown Estates contributed 75% to the Group's revenue compared to a 67% contribution in the comparative period and made an operating profit of US$0.4million (2015: US$1.3 million).

Claremont Estate's contribution to Group revenue reduced to 16% from the prior period contribution of 23% and an operating loss of US$0.4 million (2015: US$0.06 million profit) was incurred due to lost potato revenues.

Kent Estate's contribution to Group revenue reduced marginally to 9% from the prior period contribution of 10% and an operating loss of US$0.4million (2015: US$0.9million) was incurred due to reduced cropping.

A loss before interest and taxation of US$0.1 million (2015: US$1.4 million profit) was incurred by the Group due to the revenue decline.

The Group reported a loss for the period from continuing operations of US$2.0 million (2015: US$0.1 million profit) after finance costs of US$2.0 million (2015: US$1.6 million) were incurred.

**Outlook**

Considering the poor start to the season, performance to date has been acceptable. Tea production is down but higher prices have improved viability and branded teas are expected to perform well.

Reduced production in winter will see tea stocks fall significantly in the months ahead.

Assuming normal rains next year, we expect a full recovery to normal yield levels in the season ahead. Despite the poor rains the macadamia crop has performed very well. Quality on the largest orchard has been excellent. Looking ahead, modest yield gains are expected on all orchards while significant quality gains are possible.

An upgrade of macadamia drying and processing facilities is in progress and will be operational later in the year. Macadamia production has provided the greatest contribution to group margins. We expect this trend to continue.

The young orchards at Claremont continue to develop. We expect the micro hydro electricity generation plant at Claremont to be operational ahead of the new season, thus securing irrigation for what is expected to be a much larger crop from the young orchards.

Cash flow remains under pressure and will require careful management in the months ahead. Opportunities still remain to increase capacity of key crops and these will be exploited where resources allow.

**Dividend**

In view of working capital constraints and the urgent need to preserve the available cash, the Board has once again seen it prudent not to declare a dividend.

**Directorate**

Dr. R. Mupawose and Mrs. S.G. Chella retired from the Board as chairman and non-executive director respectively on 4 May 2016. We thank them for their devout commitment and immense contribution to the Board.

Dr. A.J. Masuka and Mr. H.A. Nolte were appointed to the Board as non-executive directors on 4 May 2016. Mr. A.C. Jongwe replaced Dr. R. Mupawose as Board chairman on the same date.

**Appreciation**

Management and staff are grateful for the continued support given by the Board, Shareholders and stakeholders.

**BY ORDER OF THE BOARD**

**P.T. SPEAR**
**CHIEF EXECUTIVE OFFICER**

**30 JUNE 2016**

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

| All figures in US$ | Unaudited Half Year ended **31-Mar-16** | Unaudited Half Year ended **31-Mar-15** |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| **Revenue** | **3,789,536** | **5,564,213** |
| **(Loss)/profit before interest and taxation** | **(140,718)** | **1,350,095** |
| Loss from operations | (1,000,092) | (172,699) |
| Fair value adjustments | 901,374 | 1,522,794 |
| Share of loss of a joint venture | (42,000) | - |
| Finance costs | (2,046,237) | (1,640,833) |
| Loss before taxation | (2,186,955) | (290,738) |
| Income tax credit | 189,026 | 389,785 |
| (Loss)/profit for the period from continuing operations | (1,997,929) | 99,047 |
| **DISCONTINUED OPERATIONS** | | |
| Loss for the period from discontinued operations | - | (923,250) |
| Loss for the period | (1,997,929) | (824,203) |
| Other comprehensive income | - | - |
| **Total comprehensive loss for the period** | **(1,997,929)** | **(824,203)** |
| **No. of shares in issue** | **1,378,595,595** | **1,378,595,595** |
| **No. of shares in issue (Weighted)** | **1,378,595,595** | **1,378,595,595** |
| **Loss per share (dollars)** | | |
| Basic loss per share | (0.0014) | (0.0006) |
| Diluted loss per share | (0.0014) | (0.0006) |

## Abridged Consolidated Statement of Cash Flows

| All figures in US$ | Unaudited Half Year ended **31-Mar-16** | Unaudited Half Year ended **31-Mar-15** |
|---|---|---|
| **Cash flows from operating activites** | | |
| Operating (loss)/profit | (140,718) | 1,350,095 |
| Non-cash items | (359,959) | (969,507) |
| Cash (outflow)/inflow from operations | (500,677) | 380,588 |
| Finance costs | (2,046,237) | (1,640,833) |
| Income taxes paid | - | - |
| Change in working capital | (236,346) | 317,838 |
| Cash utilised in operating activities - continuing operations | (2,783,260) | (942,407) |
| Cash utilised in operating activities - discontinued operations | - | (269,670) |
| **Cash utilised in operating activities** | **(2,783,260)** | **(1,212,077)** |
| **Cash flows from investing activities** | | |
| Cash utilised in investing activities - continuing operations | (275,417) | (359,014) |
| Cash utilised in investing activities - discontinued operations | - | (6,431) |
| **Cash utilised in investing activities** | **(275,417)** | **(365,445)** |
| **Cash flows from financing activities** | | |
| Cash generated from financing activities - continuing operations | 3,195,894 | 1,338,821 |
| Cash generated from financing activities - discontinued operations | - | 331,203 |
| **Cash generated from financing activities** | **3,195,894** | **1,670,024** |
| **Net cash inflow** | **137,217** | **92,502** |
| Cash and cash equivalents at beginning of period | 77,878 | 60,124 |
| **Cash and cash equivalents at end of period** | **215,095** | **152,626** |

## Abridged Consolidated Statement of Financial Position

| All figures in US$ | Unaudited As at **31-Mar-16** | Unaudited As at **31-Mar-15** | Audited As at **30-Sep-15** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non - current assets** | | | |
| Property, plant and equipment | 10,274,140 | 11,537,896 | 10,613,666 |
| Biological assets - bearer | 20,402,411 | 18,193,992 | 20,370,564 |
| Investment in a joint venture | - | - | - |
| Investments | 25,650 | 25,650 | 25,650 |
| Deferred tax | 5,988,816 | 5,295,380 | 5,558,981 |
| | **36,691,017** | **35,052,918** | **36,568,861** |
| **Current assets** | | | |
| Biological assets - consumable | 8,908,789 | 10,779,870 | 7,965,734 |
| Inventories | 1,767,812 | 3,253,953 | 1,532,211 |
| Trade and other receivables | 962,020 | 2,331,528 | 1,353,694 |
| Cash and cash equivalents | 215,095 | 152,626 | 77,878 |
| | **11,853,716** | **16,517,977** | **10,929,517** |
| **Total assets** | **48,544,733** | **51,570,895** | **47,498,378** |
| **EQUITY** | | | |
| **Share capital and reserves** | | | |
| Share capital | 1,378,595 | 1,378,595 | 1,378,595 |
| Share premium | 7,059,932 | 7,059,932 | 7,059,932 |
| Share-based payments reserve | 2,468 | 9,697 | 2,468 |
| Non-distributable reserves | - | 10,998,626 | 10,998,626 |
| Distributable reserves | 3,683,695 | (1,003,915) | (5,317,002) |
| | **12,124,690** | **18,442,935** | **14,122,619** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 9,600,265 | 7,234,947 | 10,042,135 |
| Deferred tax | 9,559,121 | 9,515,353 | 9,318,312 |
| Finance lease obligation | 63,741 | 27,384 | 60,181 |
| | **19,223,127** | **16,777,684** | **19,420,628** |
| **Current liabilities** | | | |
| Trade and other payables | 8,053,680 | 8,358,838 | 8,446,099 |
| Borrowings | 9,069,317 | 7,936,715 | 5,463,862 |
| Finance lease obligation | 73,919 | 54,723 | 45,170 |
| | 17,196,916 | 16,350,276 | 13,955,131 |
| **Total equity and liabilities** | **48,544,733** | **51,570,895** | **47,498,378** |

## Abridged Consolidated Statement of Changes in Equity

| All figures in US$ | Share capital | Share premium | Share-based payment reserve | Non-distributable reserves | Distributable reserves | Total |
|---|---|---|---|---|---|---|
| **Balance as at 30 September 2014** | **1,378,595** | **7,059,932** | **9,697** | **10,998,626** | **(179,712)** | **19,267,138** |
| Total comprehensive loss for the period | - | - | - | - | (824,203) | (824,203) |
| **Balance as at 31 March 2015** | **1,378,595** | **7,059,932** | **9,697** | **10,998,626** | **(1,003,915)** | **18,442,935** |
| Transfer to distributable reserves on share options expired | - | - | (7,229) | - | 7,229 | - |
| Total comprehensive loss for the period | - | - | - | - | (4,320,316) | (4,320,316) |
| **Balance as at 30 September 2015** | **1,378,595** | **7,059,932** | **2,468** | **10,998,626** | **(5,317,002)** | **14,122,619** |
| Transfer to distributable reserves* | - | - | - | (10,998,626) | 10,998,626 | - |
| Total comprehensive loss for the period | - | - | - | - | (1,997,929) | (1,997,929) |
| **Balance as at 31 March 2016** | **1,378,595** | **7,059,932** | **2,468** | **-** | **3,683,695** | **12,124,690** |

* The Directors resolved to transfer US$10,998,626 from Non-distributable reserves to Distributable reserves. Non-distributable reserves arose as a result of change in functional currency from Zimbabwe dollars to United States of America dollars.

## Supplementary Information

| All figures in US$ | Unaudited Half Year ended **31-Mar-16** | Unaudited Half Year ended **31-Mar-15** |
|---|---|---|
| **1. Depreciation of property, plant and equipment** | **546,367** | **558,259** |
| **2. Capital expenditure for the period** | **210,804** | **266,147** |

| | Unaudited As at **31-Mar-16** | Unaudited As at **31-Mar-15** | Audited As at **30-Sep-15** |
|---|---|---|---|
| **3. Trade and other payables** | | | |
| Trade | 4,891,396 | 5,174,327 | 3,192,699 |
| Other | 3,162,284 | 3,184,511 | 5,253,400 |
| | **8,053,680** | **8,358,838** | **8,446,099** |
| **4. Borrowings** | | | |
| Long-term | 9,600,265 | 7,234,947 | 10,042,135 |
| Short-term | 9,069,317 | 7,936,715 | 5,463,862 |
| | **18,669,582** | **15,171,662** | **15,505,997** |

The weighted average effective interest rate on borrowings is 17% per annum (2015:19% per annum). A loan obtained from one financial institution is secured by a "note-of-hand" over Southdown Estate property and loans obtained from two financial institutions are secured by Notarial General Covering Bonds covering movable assets and supported by cession of the Group's multi-peril insurance.

5. **Currency of reporting**
The Group financial results reflect United States Dollars (US$). This is the functional currency of the Group.

6. **Statement of compliance**
The Group financial results have been prepared in accordance with International Financial Reporting Standards (IFRS).

7. **Representation of comparative financial information**
On 15 July 2015, the Group entered into a sale agreement to dispose of a major group of assets pertaining to the FAVCO business unit, which carried out the Group's trading operations in the retail sector. Accordingly, June 2015 was the last trading month for FAVCO.

   As a result, financial information relating to the half year ended 31 March 2015 has been represented to reflect the effect of the discontinued operations in accordance with IFRS 5.

8. **Basis of preparation**
The consolidated financial results have been prepared on the historical cost basis except for certain biological assets and financial instruments that are measured at fair value.

9. **Accounting policies**
The accounting policies adopted in the preparation of the consolidated financial statements for the year ended 30 September 2015 have been consistently applied in the preparation of these consolidated financial results.

10. **Going concern**
The Group incurred a loss for the six month period from continuing operations of US$1,997,929 (31 March 2015: US$99,047 (profit)). As at 31 March 2016 the Group's current liabilities exceeded the current assets by US$5,343,200 (30 September 2015:US$3,025,614).

    Based on an assessment made by the Directors as at 31 March 2016, the Directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the financial results have been prepared on a going concern basis.

11. **Subsequent events**
Subsequent to the half-year reporting date, notification of compulsory acquisition of Kent Estates land was received. Negotiations are currently in progress with the Government and Shareholders will be updated on the outcome of these discussions.

**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. H.A. Nolte *Executive