



Financial Highlights

	Change	30 June 2018 Unaudited US\$	30 June 2017 Unaudited US\$
Revenue	55%	17,948,319	11,579,479
EBT	224%	600,441	185,081
EBITDA	88%	1,343,762	713,649
EBITDA/Turnover	17%	7%	6%
Basic Earnings Per Share (cents)	289%	0.23	0.06
Diluted Earnings Per Share (cents)	288%	0.23	0.06
Headline Earnings Per Share (cents)	167%	0.21	0.06

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board, I am pleased to present the following report for the six months ended 30 June 2018.

OPERATING ENVIRONMENT

The economy continued to experience challenges mainly emanating from a constrained liquidity position and foreign currency shortages, leading to materials shortages and price escalations. However, positive developments were noted such as an improved tobacco trading season with an output of above 240 million kilograms, which is the highest level in the last two decades. Further, commendably, the Government made significant efforts to engage the international community, giving rise to interest in the country. It is hoped that some of the mooted deals will materialize in the short to medium term.

OPERATIONS

Turnover for the period under review of US\$17,948,319 and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of US\$1,343,762 were 55% and 88%, ahead of the comparative period, respectively.

The growth in turnover was mainly on the back of a solid order book in the housing infrastructure, building and civil engineering segments. EBITDA improved to US\$1,343,762 (2017: US\$713,649) driven by operating efficiencies and growth in the topline. Consequently, Profit Before Taxation for the half year period grew by 224% to close off at US\$600,441 (2017: US\$185,081).

Net working capital improved by 29% to US\$2,242,928 (2017: US\$1,736,379) mainly due to implementation of effective strategies in working capital management. Included in the contracts receivables and work in progress balances of US\$14,167,302 (2017: US\$15,106,704) is an amount of US\$1,231,109 that is overdue on a project that has been suspended due to previously unforeseen cashflow difficulties that the client is faced with. The client and Masimba are jointly pursuing various measures so that the project, whose commercial viability has been successfully demonstrated, can be resuscitated in the shortest possible time. Accordingly, the Board believes that this overdue debt is recoverable.

Cash and cash equivalent balances at the end of the reporting period were at US\$1,125,781 (2017: US\$1,294,967). The decrease in cash and cash equivalents was mainly attributable to the implementation of a working capital build up so as to fund project requirements.

CAPITAL EXPENDITURE

Capital expenditure in the period amounted to US\$1,196,893 (2017: US\$914,166). This was expended on plant and equipment to strengthen business capacity given the prevailing and anticipated contracting opportunities. Group borrowings at US\$1,984,393 were flat on the comparable period debt of US\$1,899,125.

OCCUPATIONAL HEALTH & SAFETY ASSESSMENT SYSTEMS (OHSAS)

The Board and management remain committed to the implementation of best practice Safety, Health, Environment and Quality (SHEQ) policies and procedures. In strides towards continual improvement, Masimba attained ISO 9001: 2015 Quality Management Systems certification over and above the current ISO 14000 and ISO 18000 certifications. On the other hand, the Lost Time Injury Frequency Ratio (LTIFR) declined to 1.15 compared to the previous rate of 0.42 and our benchmark of Zero Harm.

PROSPECTS

Notwithstanding the current operating challenges, the Board remains cautiously optimistic of the outlook. The Board is encouraged by the concerted effort of the Government in improving the ease of doing business, combined with the process of re-engagement with the foreign investment community. This should pave way for the resumption of infrastructure projects previously held back by financing constraints. Of major concern is the deteriorating inflationary pressures emanating from an unsustainable budget deficit. Consequently, we urge the Government to expedite the implementation of necessary fiscal reforms critical in restoring local and foreign investor confidence.

DIVIDEND DECLARATION

In view of the current and anticipated growing order book and the need to strengthen capacity, given the constrained foreign currency availability and the pricing of imported equipment, the Board has recommended that no interim dividend be paid.

DIRECTORATE

There were no changes to the Board composition in the current period.

APPRECIATION

On behalf of the Board, I extend my appreciation to our valued customers and suppliers as well as to the Board and staff for their contribution towards the attainment of these results.

For and on behalf of the Board



G. Sebborn

12 September 2018

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	30 June 2018 Unaudited US\$	30 June 2017 Unaudited US\$
Revenue		17,948,319	11,579,479
Profit before depreciation and fair value adjustments		1,343,762	713,649
Depreciation		(653,260)	(502,652)
Operating profit		690,502	210,997
Net interest paid		(90,061)	(25,916)
Profit before tax	3.1	600,441	185,081
Income tax		(67,842)	(47,659)
Profit for the period		532,599	137,422

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	30 June 2018 Unaudited US\$	30 June 2017 Unaudited US\$
Profit for the period	532,599	137,422
Other comprehensive income:		
Movement in available for sale investments	307,974	225,886
Deferred tax charge on other comprehensive income	(3,080)	(2,259)
Other comprehensive income for the period, net of tax	304,894	223,627
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	837,493	361,049

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	30 June 2018 Unaudited US\$	31 Dec 2017 Unaudited US\$
ASSETS		
Non-current assets		
Property, plant and equipment	3.2	9,271,501
Investment property	3.3	4,616,000
Investments	3.4	1,404,234
		15,291,735
Current assets		
Cash and cash equivalents		1,125,781
Contracts in progress and accounts receivable	3.5	14,167,302
Inventories		1,768,135
Tax refundable		63,802
		17,125,020
Total assets		32,416,755
EQUITY AND LIABILITIES		
Share capital		2,320,199
Share premium		402,987
Reserves		8,870,452
Retained earnings		2,934,230
Shareholders' equity		14,527,868
Non-current liabilities		
Interest bearing borrowings	3.6	444,572
Deferred tax		1,839,394
Finance lease liabilities	3.7	722,829
		3,006,795
Current liabilities		
Interest bearing borrowings	3.6	392,286
Finance lease liabilities	3.7	424,706
Accounts payable	3.8	14,065,100
		14,882,092
Total equity and liabilities		32,416,755

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	30 June 2018 Unaudited US\$	30 June 2017 Unaudited US\$
Net cash flows generated from operating activities	167,109	1,622,035
Net cash flows utilised in investing activities	(73,533)	(914,166)
Net cash flows utilised in financing activities	(262,762)	(249,438)
Net (decrease)/increase in cash and cash equivalents	(169,186)	458,431
Cash and cash equivalents at beginning of the period	1,294,967	780,267
Cash and cash equivalents at end of the period	1,125,781	1,238,698

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital US\$	Non-distributable reserve US\$	Other reserves US\$	Investment fair value reserve US\$	Retained earnings US\$	Total US\$
Balance at 31 December 2017	2,723,186	3,470,380	3,991,860	2,013,318	1,839,661	14,038,405
Profit for the year	-	-	-	-	532,599	532,599
Other comprehensive income for the year	-	-	-	304,894	-	304,894
Disposal of fair value investments	-	-	-	(910,000)	910,000	-
Dividend paid	-	-	-	-	(348,030)	(348,030)
Balance at 30 June 2018	2,723,186	3,470,380	3,991,860	1,408,212	2,934,230	14,527,868

SUMMARY OF INFORMATION

1 Basis of presentation

Statement of compliance

The abridged financial results for the six months ended 30 June 2018 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The same accounting policies, presentation and methods followed in the abridged financial results are as applied in the Group's latest annual financial statements.

2 Functional and presentation currency

The abridged financial statements are presented in United States Dollars (US\$), being the functional and reporting currency of the primary economic environment in which the Group operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss or other comprehensive income.

3 Notes to the abridged consolidated financial statements

	30 June 2018 Unaudited US\$	30 June 2017 Unaudited US\$	
3.1 Profit before tax			
Profit before tax is shown after charging/(crediting) the following items:			
Staff costs	1,009,015	740,751	
Compensation of directors and key management for services as directors for management services	31,248	31,248	
	507,627	328,880	
3.2 Property, plant and equipment			
Balance at the beginning of the year	8,727,868	6,731,970	
Additions	1,196,893	2,983,430	
Depreciation	(653,260)	(1,110,171)	
Disposals	-	(642,872)	
Revaluation - recognition on revaluation	-	3,585,000	
Revaluation - elimination on revaluation	-	(3,590,000)	
Depreciation - elimination on revaluation	-	172,687	
Depreciation - elimination on disposal	-	597,824	
Balance at the end of the year	9,271,501	8,727,868	
3.3 Investment property			
Balance at beginning of the year	4,616,000	4,467,500	
Revaluation	-	40,500	
Capital expenditure	-	126,000	
Disposals during the year	-	(18,000)	
Balance at end of the year	4,616,000	4,616,000	
The investment property was revalued at the end of December 2017 by Independent valuers on the open market basis. To date there are insignificant changes to the fair value of the investment property.			
3.4 Investments			
Financial Assets carried at fair value through other comprehensive income	1,404,234	2,146,260	
	1,404,234	2,146,260	
3.5 Contracts in progress and accounts receivable			
Contract receivables and contract work in progress	9,791,962	9,734,620	
Trade receivables	1,046,702	658,647	
Prepayments	3,355,514	4,471,306	
Deposits and other receivables	179,492	448,499	
	14,373,670	15,313,072	
Less: Allowance for credit losses	(206,368)	(206,368)	
	14,167,302	15,106,704	
The Company provides for receivables aged above 90 days on a case by case basis where subsequent developments suggest that recovery of the amount is in doubt.			
3.6 Interest bearing borrowings			
Long term	444,572	910,000	
Short term	392,286	205,853	
	836,858	1,115,853	
The short term loans represent a reclassification to current liabilities as per IFRS 7, the loans have a tenure of three (3) years and accrue interest at an effective rate of 7% per annum (2017: 7%). These loans are fully secured against immovable property and a notarial general covering bond over movable assets including a cession of book debts.			
3.7 Finance Lease	Up to 1 year	2 to 5 years	Total
Principal	424,706	722,829	1,147,535
Interest	87,723	46,267	133,990
	512,429	769,096	1,281,525
Finance lease represents three (3) finance leases acquired during the period and three (3) other existing leases held as at 31 December 2017. The leases are acquired to refinance the acquisition of property plant and equipment. Each finance lease attracts an interest rate of 9% per annum. The finance leases have a tenure of thirty-six (36) months each.			
3.8 Accounts payable			
Trade	1,099,366	1,511,972	
Unearned revenue (Advance receipts from customers)	3,020,520	6,926,767	
Contract accruals and other payables	4,855,462	4,715,365	
Subcontractor liabilities	5,089,752	2,285,570	
	14,065,100	15,439,674	
3.9 Contingent liabilities			
Bank guarantees on construction contracts in respect of performance, advance payments, retentions and bids.			
	8,073,834	8,210,175	

