

Masimba Holdings Limited

Audited Year End Results for the Year Ended 31 December 2014

CHAIRMAN'S STATEMENT

INTRODUCTION
It's my pleasure to present to you the financial results for the year ended 31 December 2014, albeit at a most difficult time in the history of the country.

OPERATING ENVIRONMENT

During the year under review, the economy continued on a downward spiral, which, coupled with the persistent liquidity challenges, had a negative impact on the business operations. The economic environment deteriorated further in the second half of the year and had an adverse impact particularly on the Contracting division

Despite these challenges the Board's long-term view remains optimistic. The Board will continue to focus on growth areas in infrastructure development covering mining, water & energy, irrigation & agriculture, roads & transport and housing. This strategic thrust is in line with the company's vision to be the market leader in infrastructure development in Zimbabwe.

Notwithstanding the government's precarious financial situation, I am pleased to advise that significant progress was made towards the resolution of long outstanding debt owed by the different government departments. An amount of \$3.4 million was received from the government debtors during the year and the Board is optimistic that the balance of \$3 million will be paid in 2015. As a consequence of this development, the Group's bank borrowings were reduced by \$2 million to \$1.6 million

Proplastics trading volumes were maintained at prior year levels despite the one month production lost towards the end of the year following a fire outbreak at the Ardbennie factory premises. The fire interrupted power and other services supply facilities to the Extrusion and Injection Moulding factories. Proplastics strategy in 2014 was focussed on product expansion, credit risk and driving cost competitiveness. In this regard, the division recorded improved margins and in November 2014 successfully launched the 400mm HDPE line which will significantly improve the capacity in the manufacturing unit.

The Contracting division, Masimba Construction was the most affected by the current negative economic conditions as Government, the major driver of the infrastructure projects lacked financial capacity to complete and undertake major infrastructure developments. The segment's order book was mainly driven by the housing, telecommunications and mining sectors. The projects in these sectors continued to be short term and of lower monetary levels. Construction capacity utilisation remained subdued at less than 25%. The continued lack of clarity and at times perceived punitive polices on the mining sector and the low commodity prices have delayed mining expansion projects in this sector in which Masimba Construction is a significant contracting player.

Group revenue for the year was at \$28,176,959 compared to \$62,314,449 for the eighteen (18) months period ended 31 December 2013. The revenue performance was weighed down by the contracting division which continued to be adversely affected by the negative economic environment. During the period, contracting revenue contribution to group turnover declined to 53% from 64% in the comparative period.

The group gross profit margins improved to 19% (2013: 17%) and this is mainly attributable to the Board's focus on productivity and cost containment strategies. The group recorded EBITDA of \$1, 7 million representing 6% (2013: 7%) of turnover.

The Board will continue to closely monitor the operating environment that has become increasingly unpredictable and the key focus areas will be productivity, cost

For several years Masimba has been underpinned by two distinct strategic business units focused on contracting and manufacturing. The business environment that has prevailed since 2009 has diminished the synergies that previously existed between these two businesses. The Board has considered the situation and is firmly convinced that there is considerable value to be unlocked in pursuing the contracting and manufacturing strategies through two independently managed businesses

Accordingly the Board has decided that a strategy to separate the two divisions into two separately listed companies will benefit shareholders by making it easier to attract capital for their separate growth profiles and enable both businesses to strategically position themselves in line with their core businesses.

The Board believes that once unbundled into two separate entities, Masimba and Proplastics will be able to attract capital focused on each business unit. Following the appointment of new boards to supervise the affairs of the unbundled entities, the Board believes the new boards will have focused mandates to enable ease of strategy formulation, execution and oversight.

The civil engineering and construction operations of Masimba will be the remaining operational business unit in Masimba. The Board believes post the unbundling the civil engineering and construction operation will be more focused and competitive. Meanwhile Proplastics has identified local and regional growth opportunities that may involve strategic alliances, which the Directors' believe will be easier to execute in a stand-alone entity.

The details of the proposed unbundling will be contained in a circular to shareholders to be distributed in April 2015 upon receipt of the requisite regulatory approvals

The Board is also in the process of consummating a new joint venture with Kosto Holdings Limited, a company incorporated in Mauritius, to establish a new reinforcement steel cutting & bending company. Kosto Holdings is part of the Reinforced Steel Contractors (RSC) group of South Africa and the new business venture will be trading under RSC flagship. RSC is South Africa and the region's leading manufacturer of reinforcement steel (rebar and mesh). The joint venture will enjoy significant forward linkages with Masimba Construction in the future and will be able to exploit supply opportunities in the informal sector.

Masimba Construction will also leverage on its extensive property portfolio, particularly its undeveloped land bank in major urban areas such as Harare to develop and sell mixed-use development projects to the public.

Demand for Proplastics products is forecast to remain firm driven by the urban sanitation rehabilitation programs, irrigation & agriculture and the buoyant housing developments. The HDPE plant launched in November 2014 will further increase the product offering to the local and export mining sectors. The Proplastics plant modernisation program will this year also see the commissioning of additional new state of the art equipment that will further improve product range and efficiencies.

In addition to the strategies outlined above, the Board will continue to closely monitor the operating environment that has become increasingly unpredictable and the key focus areas will be productivity, cost containment and cash preservation.

In order to operationalise and effect the proposed unbundling strategy outlined above, the Board resolved to declare a dividend in specie of \$8,483,394, equivalent to the Proplastics net asset value. The details of the proposed dividend will be communicated to shareholders in a circular to be distributed to shareholders in April 2015 subject to receiving the requisite regulatory approvals. An extraordinary general meeting (EGM) will accordingly be convened at a date to be announced to consider and if deemed appropriate approve the proposed dividend.

There were no changes to the Board of the Company in the year under review. It is envisaged that as part of the unbundling process there will be some changes in the directorate of the Company. Details of these changes will be included in the circular to shareholders as highlighted above.

Glahlung

APPRECIATION

I would like to extend my sincere gratitude to my fellow Board members for the support in these most difficult times. In addition I would like to thank staff, management and all our stakeholders for the continued support and commitment to the Masimba brand.

Greg Sebborn 26 March 2015

FINANCIAL HIGHLIGHTS	12 months to 31 December 2014 Audited US\$	18 months to 31 December 2013 Audited US\$
Revenue EBITDA and Fair Value Adjustments EBITDA/Turnover Basic Loss Per Share (cents)	28,176,959 1,698,109 6.0% (0.25)	62,314,449 4,298,011 6,9% (0.03)

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		31 December	31 December
		2014	2013
		Audited	Audited
	Notes	US\$	US\$
Revenue		28,176,959	62,314,449
Profit before depreciation and fair value adjustment		1,698,109	4,298,011
Fair value adjustment on			
investment property		(25,000)	(357,000)
Depreciation		(1,880,240)	(2,968,120)
Operating (loss)/profit		(207,131)	972,891
Net interest paid		(447,875)	(521,299)
(Loss)/Profit before taxation	4.1	(655,006)	451,592
Taxation		102,583	(512,004)
(Loss)/Profit for the year/period		(552,423)	(60,412)
Number of shares in issue (millions)		220.5	220.5
Basic loss per share (cents)		(0.25)	(0.03)

12 months to

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	12 months to 31 December 2014	18 months to 31 December 2013
Loss for the year/ period	(552,423)	(60,412)
Other comprehensive income/(loss): Revaluation reserve	77 007	4 704 477
Exchange difference on translating foreign operations	77,337	1,731,477 (4,947)
Income tax relating to components of other comprehensive income	(17.978)	(362,533)
Other comprehensive income for the year/period net of tax	59,359	1,363,997
TOTAL COMPREHENSIVE(LOSS)/ INCOME FOR THE YEAR/ PERIOD	(493,064)	1,303,585

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS	AT 31 DECEMBER		
	Notes	2014 Audited US\$	2013 Audited US\$
ASSETS			334
Non-current assets			
Property, plant and equipment	4.2	11,792,693	12,253,294
Investment property	4.3	4,757,307 504	5,116,000 504
Investments		16,550,504	17,369,798
		16,550,504	17,369,796
Current assets			
Bank balances and cash		1,729,139	2,476,137
Contracts in progress and accounts receivable	4.4	10,271,933	12,652,892
Inventories		5,365,107	4,951,542
Current tax asset		52,498	
		17,418,677	20,080,571
TOTAL ASSETS		33,969,181	37,450,369
EQUITY AND LIABILITIES			
Share capital		2.204.937	2.204.937
Share premium		260.063	260.063
Reserves		17,647,053	18,129,178
		20,112,053	20,594,178
Non-current liabilities			
Interest bearing borrowings	4.5	416,667	833,333
Deferred tax		2,406,933 2,823,600	2,575,572 3,408,905
Current liabilities		2,823,800	3,406,903
Interest bearing borrowings	4.5	1,166,667	2,816,666
Current tax liability		-	46,389
Accounts payable	4.6	9,866,861	10,584,231
		11,033,528	13,447,286
TOTAL EQUITY AND LIABILITIES		33,969,181	37,450,369

	ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS	12 months to 31 December 2014 Audited US\$	18 months to 31 December 2013 Audited US\$
	Cash generated by continuing operations Interest paid Tax paid Dividend received Investing activities Financing activities Net (decrease)/ increase in cash and cash equivalents	2,806,413 (447,875) (182,922) (855,949) (2,066,665) (746,998)	986,285 (521,299) (316,402) 520 (171,687) 511,931 489,348
	Cash and cash equivalents at the beginning of the year	2,476,137	1,986,789
;	Cash and cash equivalents at the end of the year	1,729,139	2,476,137
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
	Shareholders' equity at the beginning of the period Shares Issued Share premium Share based payments reserve Foreign currency translation reserve Other comrehensive income Dividend paid Loss for the year/period Shareholders' equity at the end of the period	20,594,178 - 10,939 - 59,359 - (552,423) 20,112,053	19,269,855 57,191 177,330 44,022 (4,947) 1,368,944 (257,805) (60,412) 20,594,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Notes to the financial results

Balance at beginning of the period

Revaluation Capital expenditure

4.5 Interest bearing borrowings

advance payments, retentions,

Long term Short term

The abridged financial results 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.

The underlying financial statements to these financial results have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03). These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2014, which have been audited by Deloitte & Touche and an unmodified audit opinion issued thereon. The auditor's report on these financial statements is available for inspection at the Company's registered office.

12 months to

28 months to

833,333 2,816,666

Currency of reporting
The abridged financial Statements are presented in United States Dollars, which is the functional currency of the Group.

	Due fit had our tou	31 December 2014 Audited US\$	31 December 2013 Audited US\$
4.1	Profit before tax Profit before tax Profit before tax is shown after charging the following items: Staff costs Compensation of directors and key management:- for services as directors for management services Impairment on investment	3,073,692 25,695 1,356,190	6,350,963 113,577 1,753,171 139,015
		31 December 2014 Audited US\$	31 December 2013 Audited US\$
	Property, plant and equipment Movement for the period: Balance at the beginning of the period Capital expenditure Revaluation Depreciation Disposals Balance at the end of the period	12,253,294 1,374,556 77,338 (1,880,240) (32,255) 11,792,693	12,703,542 1,344,836 1,731,477 (2,968,120) (558,441) 12,253,294
4.3	Investment property Movement for the period:		
	movement for the period.	F 440 000	0.110.000

Disposals during the period Balance at end of the period

The investment property was revalued at the end of December 2014 by independent sworm values on the open market basis.				
4.4 Contracts in progress and accounts receivable Contract receivables and contract work in progress Trade receivables Prepayments Deposits and other receivables Less: Allowance for credit losses Receivables at end of the period	6,383,944 3,171,736 1,091,997 411,103 11,058,780 (786,847) 10,271,933	8,420,183 2,614,030 1,238,160 657,080 12,929,453 (276,561) 12,652,892		
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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

		1,583,334	3,649,999
	The short term loans have a tenure of three months and the long-term loans have a tenure of two years these loans are fully secured against immovable property and a notarial general covering bond over its content of the secure	ars. The loans accrue intere moveable assets including a	st at an effective rate of 12% cession of book debts.
4.6	Accounts payable Trade Contract accruals and other payables Subcontractor liabilities	1,641,134 5,525,928 2,699,799 9,866,861	1,359,483 5,344,293 3,880,455 10,584,231
	Capital commitments Authorised but not contracted for	1,452,387	2,155,000
	This expenditure will be financed from internal resources and existing facilities.		
	Contingent liabilities Bank guarantees on construction contracts in respect of performance,		

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of operations. The Group's reportable segments under IFRS8 are Contracting, Manufacturing and Other (incorporating treasury and property management).

The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment. These revenues represent amounts generated from external Segment profit/(loss) before

				taxation
	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$
Contracting	14,848,743	39,974,312	(1,078,101)	820,610
Manufacturing Other	13,328,216	22,340,137	651,684 (228,589)	452,215 (821,233)
Total	28,176,959	62,314,499	(655,006)	451,592
Segment assets and liabilities as	at			

Segment assets and liabilities as at Segment assets		
	31 December 2014 US\$	31 December 2013 US\$
Contracting Manufacturing Other Consolidated total assets	13,784 399 10,267 196 9,917,586 33,969,181	14,721,743 9,513,061 13,215,565 37,450,369
Segment liabilities Contracting Manufacturing Other Consolidated total liabilities	10,597,656 2,285,346 974,126	12,697,668 2,882,418 1,276,105

Depre	ciation	Capital	Capital expenditure	
12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$	12 months to 31 December 2014 US\$	18 months to 31 December 2013 US\$	
1,080,345 697,870 102,025 1,880,240	1,707,544 994,118 266,458 2,968,120	106,083 1,268,473 - 1,374,556	768,747 552,641 23,448 1,344,836	
	12 months to 31 December 2014 US\$ 1,080,345 697,870 102,025	31 December 2014 2013 US\$ US\$ 1,080,345 1,707,544 697,870 994,118 102,025 266,458	12 months to 31 December 31 December 2014 2013 2014 US\$ 2014 US\$ 2014 US\$ 2014 106,083 697,870 994,118 1,268,473 102,025 266,458 -	

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