ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Willdale Limited

REVENUE US$9,683,280 | **OPERATING PROFIT US$644,380**

REVENUE UP BY 25% | **OPERATING PROFIT UP BY 68%**

Build to last with Willdale bricks

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	YEAR ENDED 30 SEPTEMBER 2017 US$	YEAR ENDED 30 SEPTEMBER 2016 US$
Revenue	**9,683,280**	**7,761,998**
Cost of sales	**(7,445,615)**	**(5,844,848)**
Gross profit	**2,237,665**	**1,917,150**
Expenses	(1,628,134)	(1,533,756)
Operating profit	**644,380**	**383,394**
Interest income	43,209	7,950
Interest expense	(833,777)	(701,223)
Loss before taxation	**(146,188)**	**(309,879)**
Taxation	451,094	342,004
Profit for the year	**304,906**	**32,125**
Other comprehensive income	**-**	**-**
Total comprehensive income for the year	**304,906**	**32,125**
Basic earnings per share - cents	0.017	0.002
Diluted earnings per share - cents	0.017	0.002

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	YEAR ENDED 30 SEPTEMBER 2017 US$	YEAR ENDED 30 SEPTEMBER 2016 US$
Assets		
Non current assets	**20,275,226**	**23,918,846**
Property, plant and equipment	20,116,491	23,665,369
Investment in Joint Venture	42,634	24,584
Finance lease receivable	116,101	228,893
Current assets	**7,959,845**	**3,684,439**
Inventories	2,540,632	2,616,174
Trade and other receivables	1,658,062	897,011
Finance lease current portion	112,791	99,827
Cash and cash equivalents	803,997	68,591
Taxation	2,837	2,837
Assets held for sale	2,841,526	-
Total assets	**28,235,071**	**27,603,285**
Equity and liabilities		
Equity	**13,507,795**	**13,202,889**
Share capital	88,900	88,900
Asset revaluation reserve	7,914,204	7,914,204
Accumulated profit	5,504,691	5,199,785
Non current liabilities	**9,820,175**	**10,837,520**
Deferred taxation	4,213,068	4,806,238
Medium to long term borrowings	5,491,006	5,802,389
Finance lease	116,101	228,893
Current liabilities	**4,907,101**	**3,562,876**
Short term borrowings	1,380,870	781,164
Trade and other payables	2,998,909	2,464,491
Finance lease liability current portion	112,791	99,827
Provisions	272,455	217,395
Liabilities directly associated with assets held for sale	142,076	-
Total liabilities	**14,727,276**	**14,400,396**
Total equity and liabilities	**28,235,071**	**27,603,285**

ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	YEAR ENDED 30 SEPTEMBER 2017 US$	YEAR ENDED 30 SEPTEMBER 2016 US$
Loss before taxation	(146,188)	(309,879)
Adjustments for non-cash items:		
Loss/ (profit) from joint venture	(18,051)	19,674
Depreciation	1,015,015	891,090
Loss/ (profit) on disposal of property, plant and equipment	121	(12,884)
Provision for impairment of receivables	32,657	(4,121)
Movement in other provisions	55,059	137,671
Interest expense	833,777	701,223
Interest income	(43,209)	(7,950)
Cashflow before changes in working capital	**1,729,181**	**1,414,824**
Working capital changes		
Decrease in inventory	75,542	56,882
Increase in accounts receivable	(793,708)	(369,960)
Increase/ (Decrease) in accounts payable	536,101	(570,686)
Cash generated from operating activities	**1,547,117**	**531,060**
Interest paid	(447,180)	(305,036)
Interest received	43,209	7,950
Net cash generated during the year	**1,143,1465**	**233,974**
Investing activities		
Investment in joint venture	-	(44,258)
Purchase of property, plant and equipment to increase existing capacity	(309,466)	(99,011)
Proceeds on sale of property, plant and equipment	-	22,435
Lease instalment receipts	109,171	13,735
Cashflow from investing activities	**(200,295)**	**(107,099)**
Financing activities		
Proceeds from medium to long term borrowings	250,000	-
Lease repayments	(109,171)	(13,735)
Borrowings repayment	(720,371)	(763,736)
Cashflow from financing activities	**(579,542)**	**(777,471)**
Net increase/ (decrease) in cash and cash equivalents	363,309	(650,596)
Cash and cash equivalents at beginning of the year	**(712,573)**	**(61,977)**
Cash and bank	68,591	86,961
Bank overdraft	(781,164)	(148,938)
Conversion of overdraft to loan	412,500	-
Cash & cash equivalents at end of the year	**63,236**	**(712,573)**
Cash and bank	803,997	68,591
Bank overdraft (Disclosed as part of short term borrowings)	(740,761)	(781,164)

STATEMENT OF CHANGES IN EQUITY

	YEAR ENDED 30 SEPTEMBER 2017 US$	YEAR ENDED 30 SEPTEMBER 2016 US$
Shareholders' equity at beginning of period	13,202,889	13,170,764
Other comprehensive income	-	-
Profit for the year	304,906	32,125
Shareholders' equity at end of period	**13,507,795**	**13,202,889**

SUPPLEMENTARY INFORMATION

	YEAR ENDED 30 SEPTEMBER 2017 US$	YEAR ENDED 30 SEPTEMBER 2016 US$
1. Commitments for capital expenditure		
Capital expenditure incurred	309,466	99,011
Authorised by directors but not contracted for	428,832	807,287

The capital expenditure is to be financed out of the Company's own resources and existing borrowing facilities

2. Net interest bearing debts		
Borrowings	7,100,768	6,912,273

Borrowings consist of a 5 year loan and overdraft for $2,588 million (2016: $2,686 million) secured by a mortgage bond of $5,7 million (2016: $4,550 million) over part of land and buildings and cession of part of inventory and receivables, $4,284 million (2015: $3,897 million) 10% cummulative redeemable preference shares, and a finance lease of $0,229 million (2016: $0.329 million). The Company leased assets under a 3 year finance lease which in turn were sub-leased to a joint venture under similar terms as the head lease. The lease obligation was recorded in the Company's financial records as the Company has a primary responsibility to pay the lease installments. The lease liability and the lease receivable from the joint venture is the same. Payment for accrued preference dividends has not yet commenced. Dividends amounting to $1.029 million (2016: $0.872 million) have been accumulated for later payment in terms of the preference shares agreement. The average cost of borrowings is 12%.

3. Basis of preparation
The financial statements, from which these abridged results have been extracted are based on statutory records that are maintained on a historical cost basis except land and buildings included in property, plant and equipment that have been measured at fair value. Financial information is presented in United States dollars.

4. Statement of compliance
The financial statements, from which these abridged results have been extracted are prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Commitee (IFRIC) interpretations.

5. Revaluation of land and buildings
Land and buildings are revalued frequently to ensure that fair value does not differ materially from the carrying amount.

6. Auditors Statement
The Company's Auditors, Ernst & Young Chartered Accountants, have issued an unmodified opinion on the Company Financial Statements from which these abridged financial results have been extracted. The auditor's report incorporates a section detailing the key audit matters relating to valuation of land held for sale and valuation and measurement of inventory and cost of sales respectively. The signed audit opinion is available for inspection at the Company's office.

COMMENTARY - FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Overview
The economic environment was characterized by foreign currency shortages which affected the importation of critical plant spares and increased input costs. Annual inflation crept into positive territory for the first time in several years ending the year on 0.78%. Volumes increased as consumers sought sanctuary in property investments. However, heavy rains experienced between November 2016 and March 2017 affected work in progress resulting in significant brick losses. As a result margins were negatively affected.

Financial Results
Revenue increased by 26% to $9.7 million compared to the prior year driven by a 23% increase in sales volumes and a 3% increase in average prices. Operating profit grew to $0.6 million (2016: $0.4 million) after charging $1 million to depreciation of property, plant and equipment (2016: $0.9 million) and taking into account $0.3 million in other income (2016: $0.09 million). Profitability remains weighed down by interest expenses with a net interest charge of $0.8m (2016: $0.7m). Net cash flows generated from operations increased to $0.6 million compared to the prior year's $0.2 million. Capital expenditure for the year amounted to $0.3 million and was financed through cash flows from operations. Shareholders approved the disposal of a piece of land at an extraordinary general meeting held on 24 May 2017. Negotiations with a potential buyer are at an advanced stage. Proceeds of sale will be used to retire interest bearing debt. The piece of land has been accounted for as an asset held for sale in the financial statements.

Production
Production post the rainy season was delayed due to the heavy and incessant rains and delays in commissioning part of the plant as a result of delays in securing imported spares. Capacity utilisation averaged 60% (2016: 55%). Green and fired production volumes increased by 30% and 58% respectively despite the delayed start. The heavy rains affected work in clamp kilns resulting in significant brick losses in the second quarter of the year. Measures have been taken to minimize such losses in future and improve plant availability in the next production season.

Sales and Marketing
Sales volumes increased by 23% compared to the prior year as demand surged driven by individual home developers, cluster home developments and schools. These sectors are expected to continue to drive sales into the foreseeable future together with student accommodation at tertiary institutions and proposed universities and shopping malls. Superior product and service quality will continue to support the brand as we push to consolidate our position as the preferred brick supplier in the market. The specialized transport service launched in the prior year continued to provide better handling and convenience to customers. The fleet will be expanded subject to availability of foreign currency.

Human Resources
The industrial relations climate was satisfactory during the year under review. Close focus will be on effective performance management in order to improve productivity and rationalize staff costs. Strategic engagements will continue to be made with staff through various forums including Works Councils and the National Employment Council.

Directorate
Mr. Maxen Philip Karombo retired from the board at the Annual General meeting held on 30 March 2017. We thank him for his immense contribution to the company during his tenure. We welcome Mr Brian Kudzai Mataruka who was appointed to the board with effect from 1 June 2017.

Outlook
We are encouraged by the optimism in the construction industry that is driven by the hunger for housing, institutional and infrastructure development which we anticipate to continue into the near future. Demand for bricks for these projects will keep our order book full. Investment in property as a hedge against inflation is also expected to spur demand. Our confidence of the future is therefore high. We will continue to focus on initiatives that grow margins. We will also consider alternative ways to source imported spares to support plant capacity availability.

Going Concern
The Board is confident that the Company will continue to operate as a going concern for the foreseeable future and, as a result, financial statements for the period under review have been prepared using the going concern basis. The Board's view is based on the successful implementation of its strategic plans, continued support from current financiers and suppliers and other initiatives that the Board is undertaking to improve the Company's performance.

Dividend
The directors have resolved not to pay a dividend with respect to the year ended 30 September 2017 to preserve cash for working capital.

Appreciation
On behalf of the Board and Shareholders, I am grateful to our valued customers, suppliers and other stakeholders for their unwavering support. I also want to commend management and staff for their efforts in a difficult operating environment. I wish everyone a better and prosperous new year.

A C Jongwe
Chairman

7 December 2017

Directors: A C Jongwe (Chairman), G A Chigora, U Duske, M A Gumbie, C Makoni, B K Mataruka, N Matonda*, M Munginga*, M G Revanowako, (*Executive)