

MEIKLES

— LIMITED —

ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CHAIRMAN'S STATEMENT

GROUP OVERVIEW

The operating environment was characterised by a number of impediments, the main ones being cash shortages and delays in settlement of obligations to foreign suppliers. As a result, Group turnover for the six month's period to 30 September was static relative to the previous period. The contribution to turnover by the different segments of the Group is set out in Note 6.

EBITDA for the period grew by US\$4.6 million or 92% to US\$9.6 million. The contribution to EBITDA by the different segments of the Group is set out in Note 6.

Interest payable decreased by 22% to US\$4.2 million due to reduced borrowings.

Group net borrowings are detailed in Note 8. Net borrowings have decreased by approximately US\$8.4 million over the six month's period. Negotiations with lenders to extend the tenure of short term borrowings are in progress. Notable progress has been achieved to date.

SEGMENT COMMENTARY

TM Supermarkets trading as TM and Pick n Pay

Turnover increased by 3% and operating income expressed as a percentage of turnover increased from 19.5% to 20.7%. Growth in turnover was achieved in new and upgraded stores.

EBITDA for the period grew by 38% benefiting from improved gross profit margin, a direct benefit of new refrigeration equipment in new and upgraded branches.

In October, TM repaid in full, borrowings taken to refurbish and expand branch networks. The development at TM Borrowdale is now in the final stages. The centre will open during the first quarter of 2017. Three new sites to expand the branch network are at various stages of development.

Stores - Meikles Stores and Meikles Mega Market

The retail segment continued with the expansion plan opening three units including the flagship M-store outlet at Sam Levy's village in Borrowdale. Performance for these units has been within expectation. Barbours scooped The Confederation of Zimbabwe Retailers 'Clothing Retailer of the Year' award on 24 November 2016.

Improvement in procurement efficiencies occasioned by direct imports resulted in improved gross profit margins. Tightening of credit control policy resulted in improved collection rate as well as reduction in trade debtors' arrears. The introduction of the M-store, which trades on a cash basis, bettered the cash to credit ratio from 27:73 to 39:61 thereby making the business more liquid.

Tanganda

International bulk tea export prices have firmed to average US\$1.51/kg in the six month's period to 30 September 2016 compared with average US\$1.28/kg for the six months to 30 September 2015. The division, however experienced record heat and evaporation in Chipinge in September and October 2016. Meaningful rainfall covering all estates fell on the 14th of November 2016. Fertilizers and chemicals for first applications on all the crops are on hand.

The average price on macadamia nuts of US\$2.80/kg was in line with prior year and the international coffee prices are firming with the AAA grade fetching between US\$4.60/kg and US\$5.00/kg.

The 5% export incentive will go a long way in boosting exports of packed tea into the region. The support given to exporters by the Reserve Bank of Zimbabwe is greatly appreciated.

The Rainforest Alliance (Sustainable Agriculture), International Standards Organization (ISO - on packed tea), GlobalGAP (on avocados) and Standards Association of Zimbabwe (SAZ on bottled spring water) are all in place making our products acceptable worldwide. In this regard, we have successfully worked, in partnership with Technoserve, for the certification by Rainforest Alliance of 187 small scale tea growers and the remainder will be certified in phase two of the project.

HOSPITALITY

Trading during the first half of the financial year, at the two hotels in Zimbabwe reflected the contrasting trends between business and leisure travel. Occupancies and average room rate in Harare declined due to dwindling business travel, a

reflection of the country's worsening investment climate. The Victoria Falls Hotel registered a strong revenue growth on the back of a rebound in international leisure travel.

Both hotels were recognized for excellence in service and standard of product during the period under review. Meikles Hotel was voted 2016 Best City Hotel by Association of Zimbabwe Travel Agents (AZTA). Meikles Hotel has won this award consecutively for 24 years. The Victoria Falls Hotel was voted first runner up for Best Resort Hotel by AZTA.

OUTLOOK

The Group is expected to continue to enhance its EBITDA performance. Growth associated with a number of projects underway in segments of the Group are substantial and will provide a platform for further growth in earnings.

Shareholders and stakeholders are advised that strategies will be advanced in the Group with a view to substantially reduce all borrowings during the forthcoming calendar year.

APPRECIATION

I would like to extend my appreciation to our customers, suppliers, shareholders and regulatory authorities for their continued support. I would also like to extend my appreciation to my fellow Directors, and to management and staff for their dedication and commitment.

DIVIDEND

The Board has not declared an interim dividend.



JRT Moxon
Executive Chairman
15 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	30 Sep 2016 US\$ 000	Restated 30 Sep 2015 US\$ 000
Revenue		
Net operating costs	225,898 (222,341)	225,690 (225,551)
Operating profit	3,557	139
Investment income	725	1,783
Finance costs	(4,227)	(5,446)
Net exchange gains / (losses)	7	(177)
Loss recognised on discounting Treasury Bills	(774)	(7,700)
Fair value adjustments on biological assets	3	39
Loss before tax	(709)	(11,362)
Income tax expense	(749)	(254)
Loss for the period	(1,458)	(11,616)
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Reclassification adjustment relating to available-for-sale financial assets disposed of in the current year	617	-
Fair value gain on available-for-sale financial assets	-	10,722
Other comprehensive income for the period, net of tax	617	10,722
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(841)	(894)
(Loss) / profit for the year attributable to:		
Owners of the parent	(3,655)	(12,988)
Non-controlling interests	2,197	1,372
	(1,458)	(11,616)
Total comprehensive (loss) / income attributable to:		
Owners of the parent	(3,038)	(2,266)
Non-controlling interests	2,197	1,372
	(841)	(894)
Loss per share (cents)		
Basic	(1.44)	(5.12)
Diluted	(1.34)	(4.75)
Headline loss per share (cents)	(1.12)	(2.61)
Diluted headline loss per share (cents)	(1.04)	(2.42)

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ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	30 Sep 2016 US\$ 000	Restated 31 Mar 2016 US\$ 000
ASSETS		
Non-current assets		
Property, plant and equipment	170,785	170,454
Investment property	248	248
Investment in Mentor Africa Limited	20,046	20,046
Biological assets	1,083	1,227
Intangible assets	124	124
Other financial assets	11,939	12,004
Deferred tax	5,395	3,480
Total non-current assets	209,620	207,583
Current assets		
Treasury Bills	9,690	11,106
Inventories	33,947	33,391
Trade and other receivables	12,532	14,611
Other financial assets	3,938	3,493
Cash and bank balances	12,547	10,494
Total current assets	72,654	73,095
Total assets	282,274	280,678
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	2,538	2,538
Share premium	1,316	1,316
Other reserves	12,035	11,418
Retained earnings	86,441	90,096
Equity attributable to equity holders of the parent	102,330	105,368
Non-controlling interests	24,429	21,182
Total equity	126,759	126,550
Non-current liabilities		
Borrowings	6,387	11,063
Deferred tax	16,727	15,465
Total non-current liabilities	23,114	26,528
Current liabilities		
Trade and other payables	67,158	60,700
Borrowings	65,243	66,900
Total current liabilities	132,401	127,600
Total liabilities	155,515	154,128
Total equity and liabilities	282,274	280,678

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Share capital US\$ 000	Share premium US\$ 000	Other reserves US\$ 000	Retained earnings US\$ 000	Attributable to owners of parent US\$ 000	Non controlling interests US\$ 000	Total US\$ 000
2016							
Balance at 1 April 2016 (as previously stated)	2,538	1,316	11,418	93,222	108,494	21,182	129,676
Prior year adjustment (change in accounting policy)	-	-	-	(3,126)	(3,126)	-	(3,126)
Balance at April 2016 (restated)	2,538	1,316	11,418	90,096	105,368	21,182	126,550
(Loss) / profit for the period	-	-	-	(3,655)	(3,655)	2,197	(1,458)
Other comprehensive income for the period	-	-	617	-	617	-	617
Non-controlling interests arising from Mopani Property Development (Pvt) Limited	-	-	-	-	-	1,050	1,050
Balance at 30 Sept. 2016	2,538	1,316	12,035	86,441	102,330	24,429	126,759
2015 - restated							
Balance at 1 April 2015	2,538	1,316	87	115,934	119,875	17,281	137,156
(Loss) / profit for the period	-	-	-	(12,988)	(12,988)	1,372	(11,616)
Other comprehensive income for the period	-	-	10,722	-	10,722	-	10,722
Non-controlling interests arising from Mopani Property Development (Pvt) Limited	-	-	-	-	-	57	57
Balance at 30 Sept. 2015	2,538	1,316	10,809	102,946	117,609	18,710	136,319

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	30 Sep 2016 US\$ 000	Restated 30 Sep 2015 US\$ 000
Cash flows from operating activities		
Loss before tax	(709)	(11,362)
Adjustments for:		
- Depreciation and impairment of property, plant and equipment and investment property	5,998	4,851
- Net interest	3,502	3,663
- Net exchange (gains) / losses	(7)	177
- Fair value adjustments on biological assets	(3)	(39)
- Loss recognised on discounting Treasury Bills	774	7,700
- Loss on disposal of property, plant and equipment	99	23
Operating cash flow before working capital changes	9,654	5,013
Increase in inventories	(557)	(1,277)
Decrease in trade and other receivables	2,139	6,654
Increase / (decrease) in trade and other payables	5,850	(417)
Cash generated from operations	17,086	9,973
Income taxes paid	(794)	(86)
Net cash generated from operating activities	16,292	9,887
Cash flows from investing activities		
Payment for property, plant and equipment	(6,317)	(5,384)
Proceeds from disposal of property, plant and equipment	33	30
Proceeds from sale of Treasury Bills and coupon interest	1,950	22,951
Net movement in service assets	27	-
Net movement in other investments	(378)	61
Net expenditure on biological assets	(23)	(30)
Investment income	33	297
Net cash (used in) / generated from investing activities	(4,675)	17,925
Cash flows from financing activities		
Net decrease in interest bearing borrowings	(6,333)	(15,106)
Proceeds on disposal of partial interest in a subsidiary without loss of control	1,050	57
Finance costs	(4,227)	(5,446)
Net cash used in financing activities	(9,510)	(20,495)
Net increase in cash and bank balances	2,107	7,317
Cash and bank balances at the beginning of the year	10,494	8,883
Net effect of exchange rate changes on cash and bank balances	(54)	(12)
Cash and bank balances at the end of the period	12,547	16,188

NOTES TO THE ABRIDGED UNAUDITED FINANCIAL STATEMENTS

1. Basis of preparation

The abridged unaudited financial statements are prepared from statutory records that are maintained under the historical cost basis except for biological assets (excluding bearer plants) and certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These abridged unaudited results do not include all information and disclosures required to fully comply with IFRS and should be read in conjunction with the Group's annual report.

2. Accounting policies

Accounting policies and methods of computation applied in the preparation of these abridged unaudited financial statements are consistent, in all material respects, with those used in the prior year, except for the effect of the newly revised International Financial Reporting Standards (IFRSs) on *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41). Please refer to note 9 for more details.

3. Going concern

The Directors assess the ability of the Group to continue in operational existence in the foreseeable future at each reporting date. As at 30 September 2016, the Directors have assessed the Group's ability to continue operating as a going concern and believe that the preparation of these unaudited financial statements on a going concern basis is still appropriate.

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ABRIDGED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

NOTES TO THE ABRIDGED UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

4. Balance with the Reserve Bank of Zimbabwe

Below is an analysis of the movement in RBZ balance during the period:

	Group and Company 30 Sep 2016 US\$ 000	Group and Company 31 Mar 2016 US\$ 000
Balance at the beginning of the period	-	7,229
Treasury Bills received	-	(6,500)
Compensation on Treasury Bills issued in lieu of amount due in cash	-	1,500
Interest uplift on Treasury Bills reissued	-	(2,229)
Balance at the end of the period	-	-

5. Treasury Bills

Below is an analysis of the movement in the Treasury Bills' balance during the period:

	Group and Company 30 Sep 2016 US\$ 000	Group and Company 30 Sep 2016 US\$ 000	Group and Company 31 Mar 2016 US\$ 000	Group and Company 31 Mar 2016 US\$ 000
	Fair (Market) value	Nominal value	Fair (Market) value	Nominal value
Balance at the beginning of the year	11,106	12,247	22,942	35,414
Treasury Bills received during the year	-	-	5,769	6,500
Gain on replacement of Treasury Bills	-	-	8,320	2,229
Interest for the period	690	266	2,396	940
Coupon interest received	(300)	(300)	(330)	(330)
Treasury Bills disposed during the period	(1,806)	(1,969)	(27,991)	(32,506)
Balance at the end of the period	9,690	10,244	11,106	12,247
Analysis of balance				
Treasury bills on hand at end of period	8,276	10,012	9,889	11,964
Accrued interest	1,414	232	1,217	283
Balance at the end of the period	9,690	10,244	11,106	12,247

The Treasury Bills have been designated as "available-for-sale" (AFS) financial assets and were initially recognised/measured at fair (market) value. The fair (market) value of the Treasury Bills on initial recognition, and at 30 September 2016, was calculated based on a yield to maturity of 17%. This yield to maturity was determined with reference to the percentage discount to the nominal value of the Treasury Bills at which the Company has been able to sell certain of the Treasury Bills in the open market during the preceding and current financial years.

Interest income on the Treasury Bills is recognised using the effective interest rate method and is included in "Investment income" in the Statement of Profit or Loss and Other Comprehensive Income.

At 30 September 2016, Treasury Bills with a nominal value of US\$10.0 million were pledged as security for loans with a carrying value of US\$14.1 million.

Treasury Bills issued by the Reserve Bank of Zimbabwe held at 30 September

	Group and Company 30 Sep 2016 US\$ 000	Group and Company 31 Mar 2016 US\$ 000
At fair (market) value		
Treasury Bills maturing on 10 April 2017 with a coupon rate of 5%	9,690	11,106
	9,690	11,106

The salient terms of the Treasury Bills held at 31 March 2016 are as follows:

Treasury Bill number	ZTB73120150410Z
Issue date	10/04/2015
Redemption date	10/04/2017
Nominal value - including accrued interest (US\$ 000)	10,244
Coupon	5.0%
Coupon payment dates	10 April and 10 October
Fair value - including accrued interest (US\$ 000)	9,690

6. Segment information

	30 Sep 2016 US\$ 000	Restated 30 Sep 2015 US\$ 000
Revenue		
Supermarkets	202,029	196,731
Hotels	7,688	8,267
Agriculture	10,223	11,193
Departmental stores	2,572	3,103
Wholesaling	4,107	7,230
Corporate*	(721)	(834)
	225,898	225,690

NOTES TO THE ABRIDGED UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

6. Segment information (continued)

EBITDA

	30 Sep 2016 US\$ 000	Restated 30 Sep 2015 US\$ 000
Supermarkets	9,577	6,963
Hotels	1,140	1,189
Agriculture	1,444	(292)
Departmental stores	(467)	(570)
Wholesaling	(1,158)	(874)
Corporate*	(982)	(1,425)
	9,554	4,991

The EBITDA figures are before Group management fees.

Segment assets

	30 Sep 2016 US\$ 000	Restated 31 Mar 2016 US\$ 000
Supermarkets	91,886	88,113
Hotels	47,368	47,557
Agriculture	72,081	73,825
Departmental stores	31,609	30,015
Wholesaling	4,086	4,268
Corporate*	35,244	36,900
	282,274	280,678

Segment liabilities

	30 Sep 2016 US\$ 000	Restated 31 Mar 2016 US\$ 000
Supermarkets	44,935	46,716
Hotels	23,083	22,887
Agriculture	32,287	32,429
Departmental stores	17,871	16,984
Wholesaling	7,006	6,049
Corporate*	30,333	29,063
	155,515	154,128

*Intercompany transactions and balances have been eliminated from the corporate amounts. Corporate also includes other subsidiaries that are immaterial to warrant separate disclosure.

7. Other information

	30 Sep 2016 US\$ 000	Restated 30 Sep 2015 US\$ 000
Depreciation of property, plant and equipment	5,361	4,728
Impairment of property, plant and equipment	637	123
Capital commitments authorised by the Directors but not contracted for	13,466	11,880
Group's share of capital commitments of joint operations	2,641	-

8. Net borrowings

	30 Sep 2016 US\$ 000	31 Mar 2016 US\$ 000
Non-current borrowings	6,387	11,063
Current borrowings	65,243	66,900
Total borrowings	71,630	77,963
Cash and cash equivalents	(12,547)	(10,494)
Net borrowings	59,083	67,469
Comprising:		
Secured	62,909	68,454
Unsecured	8,721	9,509
	71,630	77,963

9. Change in accounting policy for bearer plants

On 1 April 2016, the Group changed its accounting policy for bearer plants, from fair value measurement under IAS 41: *Agriculture* to the cost model under IAS 16: *Property, Plant and Equipment*. This change has been necessitated by amendments to International Financial Reporting Standards on *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41). Retrospective adjustments have been made to the financial statements with effect from 1 April 2015, the beginning of the earliest period presented, as required by the transitional provisions of *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41).

The Group has elected to measure bearer plants at their fair value at the beginning of the earliest period presented, 1 April 2015, and have used that fair value as the deemed cost of the bearer plants as at that date. There was no difference between carrying amount and fair value as at that date, and hence no adjustments were made to opening retained earnings.

The effect of the restatement to the 30 September 2015 interim period and 31 March 2016 financial year is as summarised below:

	Effect on 30 Sep 2015 US\$ 000
Increase in net operating costs	(310)
Decrease in fair value adjustments on biological assets	(618)
Decrease in deferred tax expense	119
Decrease in profit	(809)
Decrease in basic loss per share	(0.32)
Decrease in diluted loss per share	(0.29)
Decrease in headline loss per share	(0.32)
Decrease in diluted headline loss per share	(0.29)

	Effect on 31 Mar 2016 US\$ 000
Increase in property, plant and equipment	41,021
Decrease in biological assets	(44,718)
Decrease in deferred tax liability	571
Decrease in equity	(3,126)

Effect on opening retained earnings (1 April 2015) -