KINGDOM
STOCKBROKERS (PVT) LTD
MEMBERS OF THE ZIMBABWE STOCK EXCHANGE

Company Update

COMPANY: GULLIVER CONSOLIDATED LIMITED
SECTOR : CONGLOMERATE

INTERIM RESULTS TO 31 MARCH 2006

Historic financial highlights

6 months to 31 March	2006	2005	% Change
Group Turnover ($m)	165,464	25,327	553
Gross Profit ($m)	77,547	7,850	888
Income from operations ($m)	32,784	1,323	2378
Finance costs ($m)	(9,919)	(2,718)	265
(Loss)/Profit after tax ($m)	22,844	(1,340)	-
Attributable (loss)/income ($m)	14,037	(1,430)	-
(Loss)/ earnings per share ($)	248.42	(33.12)	-
Dividend per share ($)	15.50	0.00	-

Comment on results

Gulliver recorded a turnaround in earnings with turnover up 553% to $165,464 million. Income from operations increased by 2378% to $32,784 million and finance costs amounted to $9,919 million. Attributable income amounted to $14,037 million, up from a loss position of $1,430 million on the prior year. There was loss per share of $248.42 and a dividend of $15.50 was declared.

The economy remains under hyperinflationary conditions and the exchange rate that is not being adjusted in line with inflation is having a negative impact on export division performance. Despite the high turnover, the huge increases in input costs could not be passed to customers, which resulted in erosion of margins.

Group Operations

The escalation in Zinc costs exposed the business to the high prices at the Industrial **Galvanizing** and **Fabricating**. The lag between input cost and selling price increases squeezed margins. Volumes were down due to a decline in public sector spending in rural electrification and telecommunications.

Morewear Industries had improved performance on last year. The rolling division was overwhelmed by demand for rail wagons and tankers in SADC and sales volumes wee above expectation. **Moresteel** had solid pricing momentum in the second quarter. There was an overall volumes growth, which helped margin restoration despite surge in export work, and finance costs. Mining projects and general engineering work improved and there was better volumes throughput. Steel sales at **Lysaght** in Harare and **Megasteel** in Bulawayo had challenges from rising costs and lack of forex to import steel sheet and plate. However, both companies operated profitably. **Transport and Crane Hire** had subdued performance in the second half of the year. Margins were affected by volatility in supply and prices of fuel, high costs of maintenance and financing costs.

Operating prospects

There were a number of inquires received and processed on major capital projects and the company expects them to be turned into orders. There are already a number of specialists engineering projects already work-in-progress. Benefits to be realized from such will be in the second half of the year.

Management has identified opportunities both locally and regionally and is ready to utilize any opportunities that may lie ahead. Management will for the remainder of the year look at sharp focus on improving productivity and on restoring margins.

Recommendation

There has been a very good growth in earnings for Gulliver and we expect the trend to continue into the future. The company will benefit form the relaxation in the exchange rate. Currently trading at a share price of $8500, and a historic PE of 15x, we recommend a **HOLD**.

Patrick Saziwa
patricks@kingdom.co.zw
(0263) 04 7498811-4
(0263) 091232747