



STARAFRICACORPORATION LIMITED

UNAUDITED INTERIM ABRIDGED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019



starafrika corporation limited

Introduction Chairman's Statement

For The Half Year Ended 30 September 2019

OVERVIEW

I am pleased to present the results for the half year ended 30 September 2019 in which the Group has managed to weather the effects of adverse trading and operating conditions and still remain profitable. The period under review had challenges that included cost pressures, power supply constraints and a depreciating local currency all of which threatened both the ability of the company to produce as well as the customers' ability to purchase our products and services.

The period saw key policy announcements which included the abolishment of the multi-currency system leaving the Zimbabwe Dollar (ZWL) as the sole trading currency for all local trading except for specified services where settlement in USD is allowed. The pronouncements also outlawed the use of any other currency units in quoting or indexing of prices for local trading.

GROUP RESULTS - HISTORICAL COST

Turnover for the period under review amounted to ZWL 132.1 million compared with ZWL 28 million recorded in prior year comparative period. The increase was on the back of changes in the product mix as well as the necessary inflation related price adjustments aimed at preserving the company's ability to service the market. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) went up to ZWL 19.4 million in comparison with ZWL 2.1 million that was achieved in the comparative period last year due to a combination of the increase in turnover and cost management measures which restrained growth in costs to below the growth in turnover.

OPERATIONS

Goldstar Sugars Harare (GSSH)

The unit continues to anchor the group in terms of both turnover and profitability in dollar terms. It produced 32 047 tonnes of refined sugar compared with 35 791 tonnes produced in prior half year. The slowdown was due to the acute power shortages experienced in July and August 2019 which resulted in the factory shutting down for five weeks. The power situation improved after the establishment of a ring fenced power supply arrangement which however came with a steep tariff review.

The plant remains certified by The Coca Cola Company ("TCCC") as well as Food Safety certification under the FSSC 22000 series following review audits which took place in the period under review. The certifications continue to play a pivotal part in the company's export oriented survival strategy.

Country Choice Foods (CCF)

CCF achieved an EBITDA of ZWL 5 million for the half year under review against ZWL 0.4 million realised in prior comparative period. Production for the unit was 9% higher than that achieved in the same period last year and performance was also buoyed by a change in product mix where core products which have better margins comprised a greater part of the total sales volume for the period when compared with last year.

Tongaat Hulett Botswana

The associate company's performance surpassed prior half year levels as it achieved a converted profit after tax of ZWL 11.2 million of which the Group's share was ZWL 3.7 million against ZWL 1.8 million and a share of ZWL 0.6 million achieved last half year. The growth comprised the unit's actual performance in Pula terms as well as the effect of converting the Pula denominated performance into ZWL at exchange rates which have greatly depreciated since the start of the financial year.

Properties Business

This business unit recorded a comparatively subdued increase in EBITDA from ZWL 0.2 million in prior year comparative period to ZWL 0.3 million due to a decline in rental yields. There was limited demand for space and there were limits to what existing and prospective tenants could offer. The strategies for the unit include exploration of alternative syndicated use of the properties as well as minimum rental thresholds that at least maintain the buildings in the interim transitional period.

SCHEME OF ARRANGEMENT

The Scheme of arrangement, whose tenure expires in 2022, remains in place with 72% of creditors having exercised their equity conversion option and focus is on getting the remaining creditors to either convert or agree to a restructured settlement arrangement before expiry of the Scheme. The Group is servicing its interest obligations and is confident that current engagements with creditors will result in initially a reduction and eventually elimination of the interest obligations.

DIVIDEND

In light of the Group's existing Scheme related obligations and burgeoning operational requirements, the Board has deemed it fit not to declare a dividend for the half year ended 30 September 2019.

HYPERINFLATION

Post the reporting date, 11 October 2019, the country's governing accounting body, the Public Accountants and Auditors' Board (PAAB) announced that Zimbabwe's economy had met all the conditions to be classified as hyper inflationary effective 1 July 2019. The classification comes with the requirement for presentation of inflation adjusted numbers going forward. The results being presented have been adjusted for the effects of applying IAS 29 (Financial Reporting for Hyperinflationary Economies).

OUTLOOK

Notwithstanding the short to medium term forecast of a challenging trading environment we believe that strategies being pursued, coupled with the eventual cessation of current austerity measures will see the Company remain on a sound financial footing.

The major growth strategy for the Company hinges on export markets that include existing Southern Africa markets and Central and East African markets into which the company has just begun to make inroads.

Prospects of a better 2019/2020 farming season are expected to ease pressure on government for food imports and will also ease other local cost pressures.

CONCLUSION

I wish to thank the Company's various stakeholders, my fellow board members, management and staff for their continued contribution to the Company's continuing turnaround.

J.S Mutizwa
Chairman
29 November 2019

Interim Abridged Consolidated Statement of Profit or Loss

For the half year ended 30 September 2019

	INFLATION ADJUSTED		Notes	HISTORICAL	
	Unaudited Sep 2019 ZWL	Unaudited Sep 2018 ZWL		Unaudited Sep 2019 ZWL	Unaudited Sep 2018 ZWL
Revenue	198 594 720	126 609 005		132 075 917	27 933 651
Earnings before Interest , Tax, Depreciation & Amortisation (EBITDA)	31 346 780	9 677 813		19 354 268	2 135 209
Depreciation	(1 788 556)	(2 168 135)		(716 166)	(478 354)
Earnings before Interest & Tax	29 558 224	7 509 678		18 638 102	1 656 855
Restructuring costs	-	(2 094 800)		-	(462 174)
Fair value adjustment on investment property	49 710 875	-	3	89 029 229	-
Exchange loss	(84 480 345)	-	4	(84 546 443)	-
Monetary gain	39 657 007	-	4	-	-
Net finance costs	(5 310 745)	(5 855 730)	5	(3 610 797)	(1 291 945)
Share of profit of an associate	3 722 303	2 758 045		3 722 303	608 506
Profit before taxation	32 857 319	2 317 193		23 232 394	511 242
Income tax expense	(12 542 256)	(390 468)	6	(10 787 619)	(86 149)
Profit for the period	20 315 063	1 926 725		12 444 775	425 093
Profit for the period attributable to:					
Non controlling interest	-	-		-	-
Equity holders of the parent	20 315 063	1 926 725		12 444 775	425 093
20 315 063	1 926 725		12 444 775	425 093	
Earnings per share (cents)					
Basic	0.422	0.041	7.1	0.259	0.009
Diluted	0.164	0.041	7.2	0.101	0.009
Headline	0.960	0.040	7.3	0.190	0.008

Interim Abridged Consolidated Statement of Other Comprehensive Income

For the half year ended 30 September 2019

	INFLATION ADJUSTED		Notes	HISTORICAL	
	Unaudited Sep 2019 ZWL	Unaudited Sep 2018 ZWL		Unaudited Sep 2019 ZWL	Unaudited Sep 2018 ZWL
Profit for the year	20 315 063	1 926 725		12 444 775	425 093
Other comprehensive income (net of tax)	80 311 307	(1 300 423)		123 807 345	(286 911)
Exchange differences on translating foreign operations	25 451 656	(1 300 423)	8	25 451 656	(286 911)
Revaluation of property, plant and equipment net of tax	54 859 651	-		98 355 689	-
Total comprehensive income for the period	100 626 370	626 302		136 252 120	138 182
Total comprehensive income for the period attributable to:					
Non controlling interest	-	-		-	-
Equity holders of the parent	100 626 370	626 302		136 252 120	138 182
100 626 370	626 302		136 252 120	138 182	

Interim Abridged Consolidated Statement of Financial Position

For the half year ended 30 September 2019

	INFLATION ADJUSTED		Notes	HISTORICAL	
	Unaudited Sep 2019 ZWL	Unaudited Mar 2019 ZWL		Unaudited Sep 2019 ZWL	Audited Mar 2019 ZWL
ASSETS					
Non current assets	336 151 152	194 704 833		315 790 064	69 997 013
Property, plant and equipment	195 055 023	117 956 820		174 693 935	42 405 856
Investment property	111 098 153	61 387 279	3	111 098 153	22 068 924
Investment in associate	29 997 976	15 360 734		29 997 976	5 522 233
Current assets	97 500 602	60 551 303		92 532 130	21 768 388
Total assets	433 651 754	255 256 136		408 322 194	91 765 401
EQUITY AND LIABILITIES					
Equity	209 388 034	100 824 737		181 967 385	36 246 817
Attributable to equity holders of the parent	182 152 642	81 526 272		165 561 076	29 308 956
Equity component of compound financial instruments	20 312 784	12 375 857		13 917 609	4 449 161
Non controlling interest	6 922 608	6 922 608		2 488 700	2 488 700
Non current liabilities	127 109 456	98 091 240		129 200 545	35 264 116
Loans and borrowings	80 730 076	81 248 441		80 730 075	29 222 018
Deferred tax liability	46 379 380	16 806 799		48 470 470	6 042 098
Current liabilities	97 154 264	56 340 159		97 154 264	20 254 468
Loans and borrowings	29 876 928	9 724 982		29 876 928	3 496 162
Trade and other payables	67 277 336	46 615 177		67 277 336	16 758 306
Total liabilities	224 263 720	154 431 399		226 354 809	55 518 584
Total equity and liabilities	433 651 754	255 256 136		408 322 194	91 765 401

Interim Abridged Consolidated Statement of Cash Flows

For the half year ended 30 September 2019

	INFLATION ADJUSTED		HISTORICAL	
	Unaudited Sep 2019 ZWL	Unaudited Sep 2018 ZWL	Unaudited Sep 2019 ZWL	Unaudited Sep 2018 ZWL
Cash flows generated from operations	17 959 974	3 476 088	12 562 698	766 927
Taxation paid	(668 167)	(1 519 669)	(633 292)	(335 283)
Net Finance costs paid	(2 341 002)	(377 122)	(1 092 940)	(83 204)
Net cash flows from operating activities	14 950 805	1 579 298	10 836 466	348 440
Net cash flows received from investing activities	(1 007 236)	3 866 978	2 554 230	853 168
Net cash flows (used) in financing activities	(2 099 536)	(354 332)	(1 417 394)	(78 176)
Net increase in cash and cash equivalents	11 844 033	5 091 943	11 973 302	1 123 432
Net foreign exchange difference	(7 860 287)	-	7 345 855	-
Cash and cash equivalents at 1 April	23 942 994	5 060 318	8 607 583	1 116 454
Cash and cash equivalents at 30 September	27 926 740	10 152 262	27 926 740	2 239 886
Cash and Bank Balances	27 926 740	10 507 337	27 926 740	2 318 226
Bank Overdraft	-	(355 075)	-	(78 340)



UNAUDITED INTERIM ABRIDGED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019



Interim Abridged Consolidated Statement of Changes in Equity

For the half year ended 30 September 2019

	INFLATION ADJUSTED			Total ZWL
	Equity holders of the parent ZWL	Equity component of compound financial instruments ZWL	Non controlling interest ZWL	
Balance as at 31 March 2018	(9 620 244)	8 139 592	4 474 705	2 994 053
Effects of adoption of IFRS9	(2 451 333)	-	-	(2 451 333)
Balance as at 1 April 2018	(12 071 577)	8 139 592	4 474 705	542 720
Total comprehensive income	38 760 952	-	682 027	39 442 979
Profit for the year	23 747 289	-	682 027	24 429 316
Other comprehensive income	15 013 663	-	-	15 013 663
Conversion of compound financial instruments	649 335	(649 335)	-	-
Change in functional currency	50 854 840	4 885 600	1 765 876	57 506 316
Ordinary shares issued on conversion of debt to equity	3 332 722	-	-	3 332 722
Balance as at 31 March 2019	81 526 272	12 375 857	6 922 608	100 824 737
Total comprehensive income	100 626 370	-	-	100 626 370
Profit for the period	20 315 063	-	-	20 315 063
Other comprehensive income	80 311 307	-	-	80 311 307
Settlement of compound financial instruments	-	(2 672 384)	-	(2 672 384)
Exchange difference on foreign denominated compound financial instruments	-	10 609 311	-	10 609 311
Balance as at 30 September 2019	182 152 642	20 312 784	6 922 608	209 388 034

	HISTORICAL			Total ZWL
	Equity holders of the parent ZWL	Equity component of compound financial instruments ZWL	Non controlling interest ZWL	
Balance as at 31 March 2018	(3 458 509)	2 926 209	1 608 671	1 076 371
Effects of adoption of IFRS9	(881 262)	-	-	(881 262)
Balance as at 1 April 2018	(4 339 771)	2 926 209	1 608 671	195 109
Total comprehensive income	13 934 685	-	245 191	14 179 876
Profit for the year	8 537 225	-	245 191	8 782 416
Other comprehensive income	5 397 460	-	-	5 397 460
Equity component transfer on conversion of compound financial instruments	233 438	(233 438)	-	-
Change in functional currency	18 282 480	1 756 390	634 838	20 673 708
Ordinary shares issued on conversion of debt to equity	1 198 124	-	-	1 198 124
Balance as at 31 March 2019	29 308 956	4 449 161	2 488 700	36 246 817
Total comprehensive income	136 252 120	-	-	136 252 120
Profit for the period	12 444 775	-	-	12 444 775
Other comprehensive income	123 807 345	-	-	123 807 345
Settlement of compound financial instruments	-	(1 140 863)	-	(1 140 863)
Exchange difference on foreign denominated compound financial instruments	-	10 609 311	-	10 609 311
Balance as at 30 September 2019	165 561 076	13 917 609	2 488 700	181 967 385

Supplementary Information

For the half year ended 30 September 2019

	INFLATION ADJUSTED		HISTORICAL	
	Sep 2019 ZWL	Mar 2019 ZWL	Sep 2019 ZWL	Mar 2019 ZWL
Number of shares in issue	4 808 662 335	4 808 662 335	4 808 662 335	4 808 662 335
Capital expenditure	5 802 273	448 951	2 226 247	99 052*
Total refined sugar sales (tonnes)	30 469	35 697	30 469	35 697*
Inventory (current assets)	46 346 371	14 454 301	41 890 131	4 978 287
Trade and other receivables (current assets)	23 232 318	23 757 687	22 715 260	8 182 518
Trade and other payables (current liabilities)	67 277 336	48 657 219	67 277 336	16 758 306
Property pledged as security	105 171 356	60 648 297	105 171 356	20 888 220
Plant and equipment pledged as security	30 405 394	27 265 628	11 086 169	9 390 708
Interest bearing borrowings	110 607 004	94 996 219	110 607 003	32 718 180
Short term loans	29 876 928	10 150 997	29 876 928	3 496 162
Long term loans	80 730 076	84 845 222	80 730 075	29 222 018
Average cost of interest bearing borrowings	8%	8%	8%	8%

* The comparative is for six months ended 30 September 2018

Notes to the Abridged Financial Statements

For the half year ended 30 September 2019

1. BASIS OF PREPARATION

These abridged consolidated financial results of starafriacorporation Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act (Chapter 24:03) and the requirements of the Zimbabwe Stock Exchange. The Group's presentation currency is the Zimbabwe Dollar (ZWL) rounded off to the nearest dollar, which is the functional currency of the Group's operations in Zimbabwe.

The abridged consolidated financial results have been prepared based on statutory records which are maintained on a historical cost basis and have been adjusted to reflect the effects of the application of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" as more fully described on note 1.1 below.

1.1 Hyperinflation

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) announced that the requisite economic factors and characteristics necessary for the application of IAS 29 in Zimbabwe had been met. This pronouncement applies to reporting for financial periods ending on or after 1 July 2019.

The financial results being presented include adjustments, reclassifications, and restatements to the historical cost financial information to cater for changes in the general purchasing power of the Zimbabwe dollar so as to achieve fair presentation of the numbers.

Judgement has been used in some of the assumptions including consumer price indices (CPIs) for some years due to limitation of available data.

The sources of the price indices used were the Zimbabwe Statistical office and Reserve Bank of Zimbabwe websites. Key indices used are indicated below:

Month	Index	Conversion factor
September 2019	290.3	1
March 2019	104.4	2.78
September 2018	64.1	4.53
Average CPI (Apr-Sep19)	192.11	1.705

The rest of the notes and commentary are based on historical cost financial information.

2. GOING CONCERN

The Group's performance for the period under review resulted in a Profit after Tax (PAT) of ZWL\$ 12.4 million against ZWL \$ 0.4 million in 2018. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased from the ZWL\$2.1 million in 2018 to \$19.4 million in 2019. The balance sheet is in sound position with a net assets position of ZWL\$ 182 million on the back on sound financial performance and revaluation of assets.

The conditions presented in the preceding paragraph indicate the company's ability to discharge its liabilities through realising its assets in the normal course of business thereby demonstrating the Group's ability to continue as a going concern.

The Group's continued profitability and solvency is being supported through the deliverables listed below which management will continue to pursue on an ongoing basis:

Secondary Scheme

The scheme remains in place with the focus now on the creditors who have not exercised their option to convert their debt to equity with a view to achieve either conversion before Scheme expiry in 2021 or to build up reserves for eventual payment then should the hold out to the end. The scheme creditors who are yet to convert constitute 28% of the initial principal debt that had the conversion option. Management is in discussions with the two major outstanding creditors and the engagement points to strong possibility of resolution by the end of the financial year.

Plant capacity enhancements

The company has continued with its internally funded gradual refurbishments to the secondary plant largely from export proceeds as most of the equipment is imported. The capacity enhancements are focussed on pressure points along the production system with the aim of buttressing production while at the same time improving efficiencies and improving quality. The existing capacity is still sufficient to meet current and forecast local and export requirements.

The plant remains certified by The Coca Cola Company (TCCC) as well as under the Food Safety Certification (FSSC 22000) system following compliance review audits conducted in the period under review.

Markets and Products Development

Sugar exports for the period totalled 850 tonnes and were within the Southern Africa region save for 60 tonnes sold to Central Africa as part of the market development. Country Choice Foods also exported 6 tonnes of sugar speciality products into the Southern Africa region within the same period. The thrust for the company is for exports expansion to fund own import requirements as well as national requirements. The company continues to receive enquiries from potential customers and is confident that a portion of them will be converted into sales that will end up exports tonnage for the full year doubling the 1 950 tonnes that was achieved in the previous year.

Demand for the products remains firm especially on the industrial sector which makes up more than half of the total sales that the group makes. The company's established production capacity of at least 150 000 tonnes per annum will remain sufficient to meet local and export market requirements in the short and medium term.

Management is confident that the financial performance will be maintained and enhanced into the foreseeable future through further exports development, expansion of the local market share in the table sugar market as well as costs management.

The financial statements are prepared on the basis that the Group will continue to be a going concern. This basis of preparation is on the assumption that the forecast production and sales will be achieved, the company will continue to be profitable thus realising its assets and discharging its liabilities in the ordinary course of business.

3. FAIR VALUE ADJUSTMENT ON INVESTMENT PROPERTY

The fair value gain on investment property relates to the increase in Zimbabwe Dollar terms primarily due to the movement in ZWL:USD exchange rates from ZWL3.012:USD1 as at 31 March 2019 to ZWL15.1653:USD1 as at 30 September 2019. The property valuations have continued to be conducted in United States Dollars and the USD values as at 30 September 2019 have not changed from those as at 31 March 2019. The valuation was conducted by an external valuer in United States Dollars which were then converted to ZWL at the closing ZWL: USD exchange rate for the reporting period of ZWL15.1653 :USD1.

4. EXCHANGE LOSS

The exchange loss is largely as a result of the impact of the change in exchange rates from ZWL 3.012: USD1 at 31 March 2019 to ZWL 15.1653: USD1 at 30 September 2019 on foreign denominated liabilities.

5. NET FINANCE COSTS

Finance costs have increased due to interest on foreign denominated liabilities which have been converted to ZWL at the prevailing exchange rates.

6. INCOME TAX

The income tax expense recognised in the Statement of Profit or Loss is made up as indicated below:

	INFLATION ADJUSTED		HISTORICAL	
	Sep 2019 ZWL	Sep 2018 ZWL	Sep 2019 ZWL	Sep 2018 ZWL
Analysis of tax charge in respect of profit for the period				
Current year	44 520	43 036	33 984	9 495
Tax on foreign dividends	939 643	387 409	939 643	85 474
Deferred tax	11 558 093	(39 977)	9 813 992	(8 820)
	12 542 256	390 468	10 787 619	86 149

7. EARNINGS PER SHARE

7.1 Basic earnings per share

Profit attributable to equity holders of the parent
Weighted average number of ordinary shares in issue
Earnings per share (cents)

7.2 Diluted earnings per share

Profit attributable to equity holders of the parent
Weighted average number of ordinary shares adjusted for the effect of dilution
Earnings per share (cents)

7.3 Headline earnings per share

Headline earnings
Weighted average number of ordinary shares in issue
Headline earnings per share (cents)

Reconciliation of earnings used in calculating earnings per share

	20 315 063	1 926 725	12 444 775	425 093
Profit Attributable to equity holders of the group				
Adjusted for:				
Fair value gain on investment properties	(49 710 875)	-	(89 029 229)	-
Loss /(profit) on sale of property plant and equipment	36 288	(64 348)	36 288	(64 348)
Exchange (gain) / loss	73 871 034	-	73 937 133	-
Dilution (gains)/ losses on equity-accounted investments	10 609 311	-	10 609 311	-
Adjusted earnings	55 120 821	1 862 377	7 998 278	360 745
Total tax effect on adjustments	(8 962 483)	16 570	1 144 973	16 570
Headline earnings	46 158 338	1 878 947	9 143 251	377 315

8. EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS

The gain arose from the fact that the Zimbabwean Dollar has depreciated against the Botswana Pula which is the functional currency for the associate, Tongaat Hulett Botswana. The exchange rate has moved from ZWL0.288: BWP 1 as at 1 April 2019 to ZWL 1.352: BWP 1 as at 30 September 2019.

