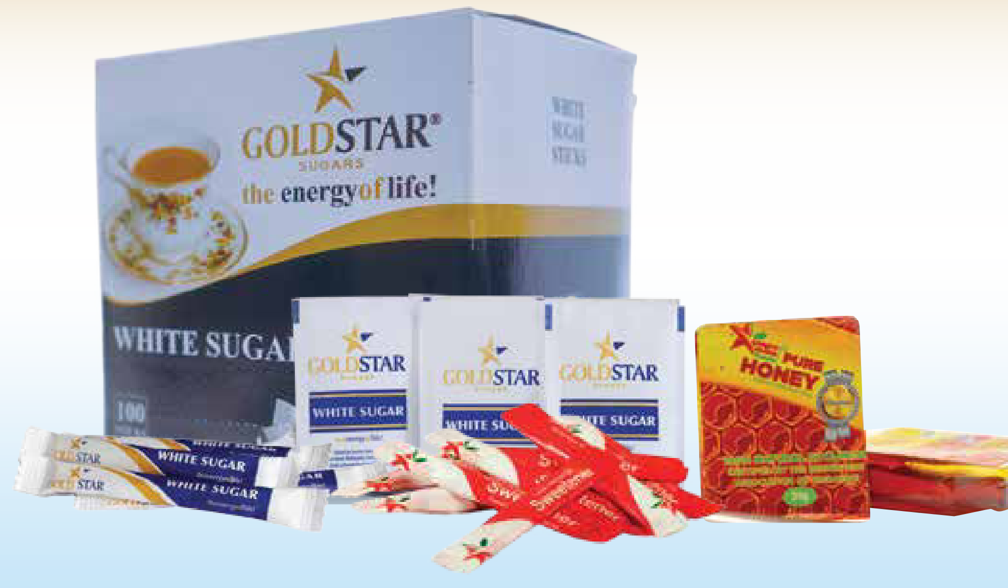
starafricacorporation limited

Power of Partnerships

Abridged Audited Financial Results

For the Year Ended 31 March 2019



Revenue

RTGS$

72.7 mil

Profit After Tax

RTGS$

8.8 mil

Abridged Consolidated Statement of Profit or loss

For the year ended 31 March 2019

	Notes	Audited 31 March 2019 RTGS$	Audited 31 March 2018 RTGS$
Revenue		**72 738 135**	**48 100 120**
Earnings before Interest Tax Depreciation & Amortisation (EBITDA)		**12 385 230**	**3 065 993**
Depreciation		(946 387)	(939 643)
Fair value adjustment on investment property		3 681 424	72 000
Exchange loss		(2 714 510)	-
Earnings before restructuring costs		12 405 757	2 198 350
Restructuring costs	4	(869 581)	-
Earnings before Interest & tax		**11 536 176**	**2 198 350**
Net finance costs		(2 754 469)	(6 249 659)
Share of profit of an associate		1 289 770	823 778
Profit / (loss) before taxation		**10 071 477**	**(3 227 531)**
Income tax expense		(1 289 061)	(554 640)
Profit / (loss) for the year		**8 782 416**	**(3 782 171)**
Profit / (loss) for the period attributable to:			
Non controlling interest		245 191	-
Equity holders of the parent		8 537 225	(3 782 171)
		8 782 416	**(3 782 171)**
Earnings / (loss) per share (EPS) (cents)			
Basic	5	0.18	(0.60)
Diluted	5	0.18	(0.60)
Headline	5	0.17	(0.61)
Weighted average number of shares	5	4 757 046 474	627 372 307
Number of shares for diluted earnings	5	4 757 046 474	627 372 307
Adjusted earnings for headline EPS (RTGS$)	5	7 926 051	(3 851 327)

Abridged Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2019

	Audited 31 March 2019 RTGS$	Audited 31 March 2018 RTGS$
Profit / (loss) for the year	**8 782 416**	**(3 782 171)**
Other comprehensive income (net of tax)	**5 397 460**	**462 824**
Exchange differences on translating foreign operations	(327 845)	248 694
Revaluation of property plant and equipment	5 725 305	214 130
Total comprehensive income / (loss) for the period	**14 179 876**	**(3 319 345)**
Total comprehensive income / (loss) for the period attributable to:		
Non controlling interest	245 191	-
Equity holders of the parent	13 934 685	(3 319 345)
	14 179 876	**(3 319 345)**

Abridged Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Audited 31 March 2019 RTGS$	Audited 31 March 2018 RTGS$
Cash flows from operations	7 669 337	275 041
Taxation paid	(1 395 585)	(80 986)
Net finance costs paid	(1 785 270)	(184 902)
Net cash flows from operating activities	**4 488 482**	**9 153**
Net cash flow received from investing activities	**1 642 096**	**321 116**
Net cash flows from financing activities	(160 292)	126 553
Net increase in cash and cash equivalents	**5 970 286**	**456 822**
Effects of changes in functional currency	1 120 418	-
Net foreign exchange difference	400 425	-
Cash and cash equivalents at 1 April	1 116 454	659 632
Cash and cash equivalents at 31 March	**8 607 583**	**1 116 454**
Cash and Bank balances	8 607 583	1 215 794
Bank overdraft	-	(99 340)

Abridged Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	Audited 31 March 2019 RTGS$	Audited 31 March 2018 RTGS$
ASSETS			
Non current assets		69 997 013	30 855 057
Property, plant and equipment		42 405 856	20 869 629
Investment property		22 068 924	7 367 000
Investment in associate		5 522 233	2 618 427
Current assets		21 768 388	10 711 445
Total assets		91 765 401	41 566 502
EQUITY AND LIABILITIES			
Equity		36 246 817	1 076 371
Attributable to equity holders of the parent		29 308 956	(3 458 509)
Equity component of compound financial instruments	6	4 449 161	2 926 209
Non controlling interest		2 488 700	1 608 671
Non current liabilities		35 264 116	21 895 712
Loans and borrowings		29 222 018	19 669 544
Deferred tax liability		6 042 098	2 226 168
Current liabilities		20 254 468	18 594 419
Loans and borowings		3 496 162	2 004 515
Bank overdraft		-	99 340
Trade and other payables		16 758 306	16 490 564
Total liabilities		55 518 584	40 490 131
Total equity and liabilities		91 765 401	41 566 502

Abridged Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Equity Holders of the parent RTGS$	Equity Component of compound financial instruments RTGS$	Non controlling interest RTGS$	Total RTGS$
Balance as at 31 March 2017	**(47 334 312)**	**4 690 578**	**1 608 671**	**(41 035 063)**
Total comprehensive income	(3 319 347)	-	-	(3 319 347)
Loss for the year	(3 782 171)	-	-	(3 782 171)
Other comprehensive income	462 824	-	-	462 824
Equity component transfer on conversion of compound financial instruments	1 764 369	(1 764 369)	-	-
Ordinary shares issued on conversion of debt to equity	45 430 781	-	-	45 430 781
Balance as at 31 March 2018	**(3 458 509)**	**2 926 209**	**1 608 671**	**1 076 371**
Effect on adoption of IFRS 9	(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)	-	-
Ordinary shares issued on conversion of debt to equity	1 198 124	-	-	1 198 124
Change in functional currency	18 282 480	1 756 390	634 838	20 673 708
Balance as at 31 March 2019	**29 308 956**	**4 449 161**	**2 488 700**	**36 246 817**

Supplementary information

For the year ended 31 March 2019

	31 March 2019 RTGS$	31 March 2018 RTGS$
Capital expenditure	627 778	391 954
Capital expenditure authorised but not contracted for	3 614 400	1 200 000
Total refined sugar sales (metric tonnes)	71 683	62 889
Inventory (current assets)	4 978 287	3 480 688
Trade and other receivables (current assets)	8 182 518	6 014 964
Trade and other payables (current liabilities)	16 758 306	16 490 564
Property pledged as security	20 888 220	6 965 000
Interest bearing borrowings	32 718 180	21 674 059
Short term loans	3 496 162	2 004 515
Long term loans	29 222 018	19 669 544
Average cost of interest bearing borrowings	8%	8%

Directors: J. S. Mutizwa (Chairman), R. J. Mbire (Deputy Chairman), *R. V. Mutyiri (Chief Executive), J. M.Chikura
*K. M. Chipangura, S. Mahuni, *A. J. Musemburi, B. L. Nkomo, V. Nyemba (Mrs), M. Sibanda - (*Executive)

starafricacorporation limited

Power of Partnerships

Abridged Audited Financial Results

For the Year Ended 31 March 2019

Notes To The Abridged Financial Statements

For the year ended 31 March 2019

1. Basis of preparation

These abridged consolidated financial results were extracted from the full set of the consolidated financial statements of starafricacorporation Limited which were 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 Real Time Gross Settlement Dollar (RTGS$) rounded off to the nearest dollar, which is the functional currency of the Group's operations in Zimbabwe. The Monetary Authorities introduced the RTGS$ as the transactional and functional currency on 22 February 2019.

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, to the effect that all assets and liabilities that were in United States Dollars (US$) just before 20 February 2019 be assumed to have been in RTGS$ at an exchange rate of 1:1 to the US$. The guidance issued by the Public Accountants and Auditors Board (PAAB) observed that this is not in compliance with IAS21 on foreign currency translation. The Group has reported the Statement of Profit or Loss and Other Comprehensive Income on the basis of the 1:1 in compliance with SI33. In order to comply with and IAS 21 into the future, the Group translated the Statement of Financial Position as at 22 February 2019 at the commencement RTGS$ interbank rate of 2.5 to the US$. All transactions after this date are translated at the official interbank rate, however the interbank rate does not fully meet the requirements of IAS 21 paragraph 8. The Group has recognised a net increase in assets of RTGS$ 21 million arising from the conversion to RTGS$ which has been recorded as a non distributable currency translation reserve.

2. Going concern

The Group's performance for the year under review resulted in a Profit after Tax (PAT) of RTGS$ 8.8 million against a Loss after tax of RTGS$ 3.8 million in 2018. This is the first PAT since the adoption of multi-currency in 2009. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased from the RTGS$ 3.1 million in 2018 to RTGS$ 12.4 million in 2019. The state of the balance sheet is now positive following the conversion of a cumulative RTGS$ 48.1 million worth of debt to equity as was provided for under the Secondary Scheme of Arrangement with creditors which came into effect on 3 February 2017 and a strong operating performance in 2019. The net asset position has increased from RTGS$ 1.1 million in 2018 to RTGS$ 36.2 million in the year under review. The net current liability position of RTGS$ 7.9 million that was there in 2018 has now reversed into a net current asset position of RTGS$ 1.5 million. The Group is no longer in breach of the borrowing powers as stipulated in its Memorandum and Articles of Association which was the case in the previous year where it had exceeded borrowing powers by RTGS$ 21.7 million.

The conditions presented in the preceding paragraph indicate significant positive developments which have enhanced the Group's ability to discharge its liabilities through realising its assets in the normal course of business. There are now credible grounds to the Group's ability to continue as a going concern.

The Group's return to full profitability and solvency will be buttressed by the deliverables listed below which management will continue to pursue in the coming twelve months and beyond:

Secondary Scheme

The implementation of the scheme has progressed to a stage where 72% of the convertible debt has been converted to equity which has resulted in not only significantly reducing the interest burden but has contributed to the correction of the balance sheet structure. Management continues to engage the remaining creditors with a view to conversion but is also confident of meeting the eventual settlement requirements should the creditors hold out to the end of their respective tenures in either 2021 or 2022.

Plant capacity enhancements

The Group continued with partial refurbishment of the secondary plant from own resources which largely came from batches of exports that took place in the year. The refurbishments focussed on areas deemed to give the most immediate impact towards meeting existing demand which was at time exacerbated by sporadic "panic buying" episodes especially in the second half of the financial year.

The plant was recertified by The Coca Cola Company (TCCC) as well as under the Food Safety Certification (FSCC 22000) system which allows the company to sell product to TCCC affiliated entities within the Southern Africa region. The company's rating under the Supplier Guiding Principles (SGP) was upgraded to "green" following an audit which was carried out in May 2019.

Markets and Products Development

Exports for the year totalled 1 950 tonnes and were solely to Botswana. The sales took place for just half of the year under review thus the target for the coming year is to achieve more than double the current year's tonnage following market exploration work in Central and East Africa.

Product demand in the local market grew as some of the major customers experienced increased demand locally and also began to export some of their products. There was also a marked shift in demand for our products from customers who previously imported raw materials but had started experiencing challenges following the dearth of foreign currency in the country.

There was also steady growth in the performance of products which were launched in the last eighteen months largely honey and sweeteners. There is ongoing work to refresh the packaging of existing products to enhance customer experience while also establishing at least two more new products in the next twelve months. 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 notable changes to the financial performance and resultant position will be maintained and enhanced through product and markets development for both local and export requirements to meet the forecast volumes for the coming year and beyond.

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 Group will continue to be profitable thus realising its assets and discharging its liabilities in the ordinary course of business.

3. Secondary Scheme update

Zimbabwe Sugar Sales (ZSS) Scheme

ZSS was owed RTGS$ 11 333 808 for raw sugar supplied in the past and this amount was converted into a five year loan which is repayable at the end of five years in October 2021. The loan has an interest rate of 7% per annum which is payable half yearly and ZSS has the option to convert the loan into ordinary shares at a conversion price of RTGS$ 0.0125 at its discretion within the loan tenure. The Group is up to date with interest payments and is still engaging the creditor concerning the conversion option.

Concurrent Creditors Scheme

The Scheme provided for the conversion of amounts owed to concurrent creditors amounting to RTGS$ 9 171 160 into a five year loan. The amount includes DuPont Agricole which accounts for more than half of the total amount. The loan is to be paid at the end of five years in February 2022 and attracts interest at 7% per annum. Creditors have an option to convert their debt to equity at a conversion price of RTGS$ 0.0125 adjusted for any accumulated interest. Some of the concurrent creditors with a cumulative principal debt of RTGS$ 1 979 650 have elected to convert amounts owed to them into 163 241 706 shares. The balance from the initial Scheme amount is dominated by Du Pont Agricole which had a figure of US$ 4 549 116 which together with its cumulative interest has been translated to RTGS$ at the closing rate of RTGS$ 3.012 to US$ 1. The remainder is made up of numerous creditors whom management continues to persuade to convert or settle for alternative debt settlement options.

BancABC Scheme

The Group received RTGS$ 1 million for working capital from BancABC in April 2017 in line with the Secondary Scheme of Arrangement. The loan attracts interest at 9% per annum payable quarterly. The principal amount together with the interest is being repaid over five years counted from September 2017. The Group is up to date with all the instalments that became due within the financial year.

The Employees Scheme

The Scheme provided for the settlement of non statutory employee related payments over a period of 16 months counted from the Scheme approval date of 3 February 2017 and the Group has managed to clear all the amounts that were part of the Scheme.

Statutory Creditors

The scheme approved that management would engage statutory bodies on a bilateral basis to come up with viable settlement arrangements that would allow the Group to implement the recovery strategies while also settling obligations. The Group engaged statutory bodies and the settlement periods achieved to date were on a short term basis but has managed to clear all the legacy debts that existed at scheme date save for the City of Harare where engagements are still in progress with a view to clear the accounts by September 2019.

4. Restructuring Costs

These were costs related to the subsequent creditors engagement process that led to the debt equity conversion of principal amounts representing 72% of the Scheme debt which had conversion options.

5. Earnings/ (Loss) per share

The option for some of the remaining Secondary Scheme creditors to convert their debts to ordinary shares gives rise to potentially dilutive ordinary shares as at year end.

The authorised share capital levels are as follows:

Ordinary Shares	7 billion at a nominal price of RTGS$ 0.0001 each
Preference Cumulative Shares	3 billion at a nominal price of RTGS$ 0.0001 each

As at 31 March 2019 the actual shares in issue were 4 808 662 335 but the weighted average number of shares used for calculation of earnings per share was 4 757 046 474 on account of some shares which were subscribed part way into the year. There is marked increase from the weighted number of shares used in prior year because of the prior year number had more than 4 billion shares from conversions that took place shortly before year end thus contributing very little in weighting then.

There are potentially 1 412 933 939 shares arising from the outstanding Scheme creditors with convertible rights who are Zimbabwe Sugar Sales and Concurrent creditors including Du Pont. These shares were not included in the computation of diluted earnings per share as they have an anti-dilutive effect.

Adjusted earnings for the computation of headline earnings per share were RTGS$ 7 926 051 (2018: (RTGS$ 3 899 295)). The earnings were arrived at after adjusting earnings attributable to ordinary shares for non operating expenditure and income which include profit or loss on disposal of property, plant and equipment and gains or losses on investment properties.

6. Equity Component of Compound Financial instruments

The balance is for the equity components that arose from the options for debt to equity conversions on the Secondary Scheme of Arrangement with, ZSS and Concurrent Creditors which went down due to the conversions that took place as shown below:

Scheme Lender	Opening balance as at 31 Mar 2018 RTGS$	Effect of change in functional currency RTGS$	Transfers out due to conversion RTGS$	Closing Balance 31 Mar 2019 RTGS$
Zimbabwe Sugar Sales	1 312 750	-	-	1 312 750
Concurrent creditors	1 613 459	1 756 390	(233 438)	3 136 411
TOTAL	2 926 209	1 756 390	(233 438)	4 449 161

7. Audit opinion

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 March 2019, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued thereon in respect of non-compliance with the requirements of International Financial Reporting Standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21). The auditor's report on these financial statements is available for inspection at the company's registered office.

Chairman's Statement

For the year ended 31 March 2019

OVERVIEW

I am pleased to present the results for the year ended 31 March 2019 in which the Group has transitioned into full profitability for the first time since the adoption of multi currencies in 2009. The results are presented in Real Time Gross Settlement Dollars which became the Group's functional currency in February 2019 in line with the Government of Zimbabwe's policy announcements and related legislation.

Despite the challenges arising from foreign currency shortages and unrelenting cost pressures, the year under review saw the consolidation of the company's journey towards a return to viability. There were foreign currency shortages which constrained the ability of the Group to make key imports on time together with costs pressure from locally sourced materials especially those with imported components. There was also marked increase in inflation starting from October 2018 which also created heightened pressure for salary and wage adjustments from employees. On the positive side the Government announced further plans for sugar cane farming developments around Tugwi-Mukosi Dam in the Masvingo Province which will assist in the availability of sugar for both local and export requirements for the country.

GROUP RESULTS

The Group achieved a 51% increase in turnover which amounted to RTGS$ 72.7 million compared with RTGS$ 48.1 million recorded in prior year. The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) went up three-fold to RTGS$ 12.4 million in comparison with RTGS$ 3.1 million that was achieved last year. The profitable performance was on the back of continued improvements in both quality and quantity of products, cost management strategies and the continued positive impact of the relief that came from the Secondary Scheme of Arrangement. As a result, the Group achieved its first Profit after Tax (PAT) of $ RTGS$ 8.8 million, marking a significant milestone for the company.

OPERATIONS

Goldstar Sugars Harare (GSSH)

GSSH produced 72 252 tonnes of refined sugar compared with 63 182 tonnes produced in prior year and sold 71 683 tonnes against 62 889 tonnes sold in the comparative period. The increases in production and sales volumes were both 14% above prior year. The growth was against a background of challenges with imported raw materials procurement. The plant was recertified by The Coca Cola Company ("TCCC") as well as Food Safety certification under the FSSC 22000 series. The certifications enable the Group to supply products to TCCC franchisees within and beyond the Southern Africa region.

Country Choice Foods (CCF)

CCF achieved an EBITDA of RTGS$ 3.5 million for the year under review against RTGS$ 0.5 million in prior year. The increase in EBITDA came from an increase in actual sales volumes, change in product mix and consistent margins on core products.

Tongaat Hulett Botswana

The associate company's performance surpassed prior year levels as it achieved a profit after tax of RTGS$ 3.9 million of which the Group's share was RTGS$ 1.3 million against RTGS$ 2.5 million and a share of RTGS$ 0.8 million achieved last year.

Properties Business

The business unit recorded an increase in EBITDA from RTGS$ 0.1 million in prior year to RTGS$ 1.1 million due to better rental yields complemented by marginal increases in occupancies in the year. There were also less repairs and maintenance costs incurred in the current year under review when compared with prior year.

SCHEME OF ARRANGEMENT

The Scheme of arrangement, whose tenure expires in 2022, remains in place with 72% of creditors with conversion option having exercised their rights. The Group is servicing its interest obligations and continues to engage the remaining Scheme creditors to exercise their right in light of the Group's return to profitability.

DIVIDEND

In light of the Group's existing Scheme related obligations and other operational requirements, the Board has deemed it fit not to declare a dividend for the year ended 31 March 2019.

OUTLOOK

The Group believes that the policies being implemented by Government, though resulting in initial pressures, will eventually lead to a better trading environment.

Export prospects that arose from business scouting that took place in the year in the region and in Central Africa will be followed through and the Group is confident of at least doubling the export tonnage achieved in the year.

We are pleased with the healthy demand for our products and are confident that the existing production capacity which is being gradually buttressed through phased refurbishments will be able to meet forecast local and export demand.

The Group is working on several strategies for sustainable growth and profitability into the future, hinged on exports and increasing market share in the household direct consumption space.

CONCLUSION

I wish to thank the Group's various stakeholders, my fellow board members, management and staff for their contribution to the Group's return to profitability and look forward to the same support into the promising future ahead.

J.S Mutizwa
Chairman
25 June 2019

Building a better working world

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Independent Auditor's Report

To the Shareholders of Star Africa Corporation Limited

Report on the Audit of the Group and Company Financial Statements

Adverse Opinion

We have audited the Group and Company financial statements of *Star Africa Corporation Limited* (the "Group") as set out on pages 23 to 66 which comprise the statements of financial position as at 31 March 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying Group and Company financial statements do not present fairly the financial position of the Group and Company as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Functional currency

As explained in note 1.3 to the financial statements, the functional currency applied by the Directors for the period 1 April 2018 to 22 February 2019 is the United States Dollar (USD) and the functional currency applied for the period 23 February 2019 to 31 March 2019 is the Real Time Gross Settlement Electronic Dollar (RTGS$). The financial statements are presented in RTGS$.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate foreign currency accounts (FCAs) into two categories, namely RTGS FCA and Nostro FCA during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS$) and the interbank foreign exchange market.

These events, which occurred primarily between October 2018 and February 2019, triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and the 1:1 RTGS$:US$ exchange rate during this time.

Based on International Financial Reporting Standards IAS 21-*The Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."*

We believe that events in the market and the promulgation of the RTGS$ as a formal currency in February 2019 supports that there was a change in functional currency from US$ to RTGS$ prior to 22 February 2019 and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS$:US$ exchange rate and this occurred prior to the promulgation of the RTGS$ as a formal currency in February 2019. This impacts the basis for measuring transactions that occurred between 01 October and 22 February 2019 as well as the accounting for foreign exchange differences. We believe that the consolidated financial statements are required to be adjusted for these changes.

Exchange rates

The financial statements of the Group and Company include transactions denominated in US$ that were not converted to RTGS$ at an US$:RTGS$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because, for all transactions that occurred between 01 October 2018 and 22 February 2019, the Directors applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019.

We believe that transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 RTGS$:US$ exchange rate.

In addition, and further contributing to our disagreement with exchange rates applied, all transaction that occurred between 22 February 2019 and 31 March 2019 as well as foreign denominated balances at yearend were translated using the interbank rate. The interbank rate does not meet the definition of a spot exchange rate as per IAS 21 as the interbank rate was not accessible immediately for delivery.

According to IAS 21, *at the end of each reporting period; (a)foreign currency monetary items shall be translated using the closing rate; (b)non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c)non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 8 of IAS 21, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) Spot exchange rate is the exchange rate for immediate delivery*

Foreign currency translation on 23 February 2019

As an additional consequence of all of the above, not all items were translated into the new functional currency as per the requirements of IAS 21 paragraph 37 which states that "*The effect of a change in functional currency is accounted for prospectively. In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.*"

On the 23rd of February 2019, management translated land and buildings, investment properties and foreign denominated balances to RTGS$ at the interbank exchange rate of 1:2.5 and recognised the translation adjustments of RTGS$ 20.7 million directly to equity. Had the functional currency change been effected before 23 February 2019, there would have been no foreign exchange translation or reserve recognized on this date.

In addition, had the appropriate US$:RTGS$ exchange rates been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different.

The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Group and Company Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Financial Highlights, the Chairman's Statement, Corporate Governance Report, the Directors' Report and the Directors Responsibility Statement but does not include the financial statements and our auditors report thereon.

Our opinion on the Group and Company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group and Company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group and Company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group and Company did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the Group and Company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of Group and Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Company financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Group and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group and Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group and Company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group and Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Group and Company financial statements, including the disclosures, and whether the Group and Company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group and Company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying Group and Company financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

27 June 2019