INNSCOR AFRICA LIMITED

Audited Abridged Group Financial Results

FOR THE YEAR ENDED 30 JUNE 2019

INNSCOR Africa Limited

Our passion for **value creation**

SALIENT FEATURES

		ZWL
Revenue	104% ▲	1 285 539 382
Operating profit	234% ▲	258 021 801
Profit before tax	371% ▲	296 141 200
Basic earnings per share (cents)	429% ▲	31.69
Headline earnings per share (cents)	412% ▲	31.19
Cash generated from operating activities		39 476 844
Total cash dividend declared for the year per share (cents)	381% ▲	10.39

DIRECTORS' RESPONSIBILITY

The Holding Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this press release represents an extract. These abridged Group annual financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing Requirements for provisional annual financial statements (Preliminary Reports). The principal accounting policies applied in the preparation of these abridged annual financial statements are, except where stated, consistent with those applied in the previous annual financial statements.

CAUTIONARY STATEMENT - RELIANCE ON ALL FINANCIAL STATEMENTS PREPARED IN ZIMBABWE FOR 2018/2019

Following the reintroduction of the Zimbabwe Dollar on 22 February 2019 through the promulgation of Statutory Instrument 33 of 2019 (SI 33), the Directors would like to advise users to exercise caution in their use of these annual financial statements due to the material and pervasive impact of the technicalities brought about by the change in functional and presentation currency, and the consequent impact on the usefulness of financial statements of companies reporting in Zimbabwe.

Users are also advised that the Zimbabwe Stock Exchange (ZSE) has previously issued a statement on the modified opinions for all listed entities reporting in Zimbabwe in respect of 2018/2019 financial year-ends. The statement notes that: "...it was not the Listed Companies' volition not to comply with financial reporting Standards but rather a matter of complying with the obtaining laws of the Country as prescribed by Statutory Instrument 33 of 2019 (SI 33)." The audit report on these results has been modified by the independent auditors, Ernst & Young Chartered Accountants (Zimbabwe), as indicated in the audit statement below.

BASIS OF ACCOUNTING FOR THE CHANGE IN FUNCTIONAL CURRENCY

As noted above, Government promulgated SI 33 on 22 February 2019, giving legal effect to the reintroduction of the ZWL as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on this effective date would be deemed to be Zimbabwe Dollars at a rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that the requirements of SI 33 were contrary to the provisions of International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates). The Directors have always ensured compliance with International Financial Reporting Standards (IFRS), but were unable to do so in the current year due to the conflict between these Standards and local statutory requirements.

In line with SI 33, the Group therefore changed its functional and presentation currency with effect from 22 February 2019. However, in an attempt to more fairly present its Statement of Financial Position as at this date in ZWL, the Group re-based the net book value of its property plant and equipment, long-term biological assets, investments and foreign monetary assets at an exchange rate of USD 1= ZWL 4. This exchange rate reflected the implied fair market rate of exchange based on procurement arrangements that the Group had with local suppliers of raw materials. After accounting for the effects of deferred taxation, the net effect of this re-basing exercise resulted in an increase in total equity, through the Change in Functional Currency Reserve of ZWL 399.417m.

Comparative financial information and that from the period from 1 July 2018 to 22 February 2019, has been prepared on the assumption that the USD and the ZWL were at par.

As required by IAS 21, foreign monetary assets and liabilities in existence at 30 June 2019 have been translated to ZWL at appropriate closing market rates of exchange, with any exchange differences between 22 February 2019 and 30 June 2019 having been adjusted for through the Group's Statement of Profit or Loss.

Since the Group undertook its asset re-basing exercise in February 2019, the ZWL has experienced significant devaluation against major currencies. The Board awaits guidance from the PAAB in accounting for this devaluation. If sustained, the devaluation could result in a material understatement of the Group's asset base and consequently shareholders' equity.

AUDIT STATEMENT

These abridged Group annual financial statements should be read in conjunction with the complete set of the Group annual financial statements for the year ended 30 June 2019. The Group annual financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse opinion for non-compliance with IAS 21. The auditor's report on the Group annual financial statements, from which these abridged Group annual financial statements are extracted, is available for inspection at the Company's registered office.

SUSTAINABILITY REPORTING

As part of our commitment to ensuring the sustainability of our business and stakeholders, the Group continues to apply the Global Reporting Initiatives (GRI) standards. Over the years, the Group aligned its sustainability reporting using GRI standards with corresponding Sustainable Development Goals (SDGs) demonstrating the Group's commitment and contribution to sustainable development within the environments we operate. The Group continues to strengthen sustainability practices and values across its operations to ensure that long-term business success is achieved in a sustainable manner.

OPERATING ENVIRONMENT AND OVERVIEW

The year under review presented a number of highly complex challenges within the operating environment and necessitated considerable ongoing adjustments to the Group's strategy.

During the early part of the 2019 financial year, market sentiment was generally positive and this drove spending and volume growth across all the Group's operations. In early October, a number of fiscal and economic reforms were instituted by Government with the separation of local bank accounts into domestic-use and foreign-use, or "nostro" accounts. The Intermediated Money Transfer Tax (IMTT) was also introduced, and whilst this had the desired effect of eliminating the budget deficit, it added considerable cost to the general value-chain and resulted in the increase in the cost of goods and services for both businesses and consumers. During the course of the 2019 financial year, the Group remitted approximately ZWL16m in IMTT.

Availability of foreign currency continued to be highly constrained throughout the year under review, and this together with the effect of the various necessary, but painful reforms that were introduced, resulted in a period of extreme economic turbulence. Inflation remained rampant for most of the year, and this, combined with declining disposable incomes and reduced formal employment, placed consumers under tremendous pressure. Shortages of fuel, key consumables and then, toward the end of the financial year, electricity, necessitated precision planning and management in order to sustain the Group's operations.

A sub-normal 2018/19 rainy season has added to the challenges being experienced in Zimbabwe; this has vastly reduced agricultural output, and means that increased imports of key grains will be required by the country in the forthcoming period.

In the midst of the country's existing challenges and transformation to a new operating environment, it then faced a humanitarian crisis of epic proportions in the form of Cyclone Idai. Idai devastated a large portion of Eastern Zimbabwe, not to mention a number of neighbouring territories. The Group was pleased to play a substantial role in donating and distributing a considerable amount of food aid to affected areas.

Our businesses continue to make appropriate changes to their operating models as the transformation to a local currency economy continues. We remain hopeful that the economic and fiscal initiatives that have been undertaken, in conjunction with the Transitional Stabilisation Programme, the International Monetary Fund ("IMF") Staff Monitored Program, and Government's ongoing global re-engagement efforts, will yield the necessary external support that is so vital in the country's journey to economic recovery.

FINANCIAL PERFORMANCE

As noted earlier in this Statement, the Group's financial results should be read in the context of the transition to a local currency economy.

The Group posted revenue of ZWL1.286b during the year under review, representing a 104% increase on the comparative year. This revenue was driven by pleasing volume growth in all businesses other than the bread and flour categories which experienced wheat and flour shortages throughout most of the year. Revenue was also affected by the necessary adjustments to average selling prices necessitated by the need to be able to replace raw materials in a highly inflationary environment.

An improved product mix, good strategic raw material positions, and well-controlled overheads combined with volume growth and replacement pricing policies, where possible, gave rise to an operating profit of ZWL258.022m for the year under review, this was a growth of 234% over the 2018 financial year.

Exchange losses dominated the financial loss account, but this was countered by positive fair value adjustments on the Group's livestock and listed investments. The depreciation charge of ZWL32.538m was almost double that of the comparative year and arose from the re-basing of fixed assets in February 2019 following the functional currency change.

Interest costs grew over the comparative year as a result of the utilisation of increased borrowings; although this was largely inflationary.

The Group's associates delivered a 319% increase in the Group's share of equity accounted profits, with positive performances across the board.

Profit before tax at ZWL296.141m was 371% ahead of the comparative year whilst overall headline earnings per share of 31.19 ZWL cents for the year showed a 412% increase over the same period. Given the prevailing trading conditions, this was a most satisfactory result.

The Group's Statement of Financial Position remained solid, with net gearing at 5.69% compared to 8.35% in the 2018 financial year. As noted above, significant re-basing adjustments affected the property, plant and equipment, long-term biological assets, deferred tax and equity accounts. These adjustments are captured in the Group's Statement of Changes in Equity.

In the face of extreme inflation, cash generated from operating activities was low at ZWL39.477m for the year under review, with much of the profit being deployed to maintain strategic raw material positions, in order to preserve balance sheet value. Capital expenditure, at ZWL70.265m included critical maintenance projects, as well as a number of capability and capacity enhancement projects across the Group.

Shareholders will recall that the High Court ordered the Competitions and Tariff's Commission (CTC) to return the sum of ZWL 2.550m, held in trust by the CTC with respect to the competition notification dispute arising from the Group's investment into National Foods Holdings Limited in 2003. The CTC appealed against this order, and the Supreme Court recently allowed this appeal on a technicality, without the merits of the case being heard. The Board took the decision to fully provide for this charge in the Group's Income Statement.

OPERATIONS REVIEW

MILL–BAKE

This reporting segment contains the results from the Group's Bakery division, National Foods Limited, and the Group's non-controlling interest in Profeeds.

The **Bakery Division** experienced an extremely challenging year with overall volumes declining 8% over the comparative year. This reduction was largely a result of constrained flour supply which severely limited the operation's ability to service the market adequately.

The business continues to operate within the confines of a regulated pricing framework and consequently operating margins have been heavily compressed by severe cost inflation not only on flour, but on a number of other key expense lines that have a high portion of foreign content such as pre-mixes, repairs and maintenance and fuel. We continue to work with the authorities in determining a long-term solution for the industry as a whole in order to achieve the dual requirements of a sustainable business model and a stable bread market for the consumer.

The operation completed the first phase of its automation project during the course of the year, and we are extremely pleased with the initial results. This initiative has seen a volume capacity increase of 25% on two lines being achieved, whilst loaf quality and consistency is outstanding. An additional 45 bread delivery vehicles were added to our fleet during the second half of the financial year, although the majority of these are currently being stored due to the production constraints noted above. The second phase of the automation project is currently suspended until there is a sustainable improvement in bread market conditions.

National Foods recorded a solid performance for the period on the back of a 12.5% increase in total volumes to 611,000mt. This volume growth was driven by an excellent performance by the Maize Division, where volumes grew by 60% over the comparative year to 196,000mt. The Stockfeeds Division benefited from the country's recovery from Avian Influenza (AI) and delivered a 42% volume growth over the previous financial year. Smaller volume gains were also recorded in the FMCG and Snacks and Treats Divisions. These volume gains were somewhat offset, however, by the performance of the Flour Division, where volumes reduced by 18% to 249,000mt due to constrained wheat availability and a restricted bread price that did not permit the Company to take positions in imported wheat to close the local supply gap.

The Company's working capital model continued to evolve appreciably during the period, as the inflationary environment demanded an extended raw material pipeline, whist creditor funding, especially for key imported raw materials, progressively reduced.

As previously advised, an agreement was reached in late 2018 between the Reserve Bank of Zimbabwe (RBZ) and the Group's major grain supplier wherein the RBZ assumed the operation's legacy debt to its supplier amounting to USD54.9m as part of a funding agreement, which would see this debt being settled over an agreed period. Subsequent to December 2018, the RBZ assumed a further USD8.1m of grain debt under the same arrangement, bringing the total amount to USD63m. National Foods has settled the full amount locally to the RBZ, who in turn has subsequently made a number of payments against this facility to the supplier, and the cumulative balance owing by the RBZ at the end of the 2019 financial year was USD43.3m. This progress is very pleasing under the difficult circumstances.

Going forward, the business will be entering the cereals category early in the new financial year, with a new state of the art plant having been recently commissioned; supplies to the market are expected to commence in September 2019. The initial product to be launched will be an instant maize-based breakfast porridge under the "Pearlenta Nutri-Active" brand. We are excited by the prospects of additional products that are in the pipeline from the plant and this category presents operational leverage and logical integration opportunities for the company.

Profeeds, an associate company of the Group, recorded a 35% increase in feed volumes and a 23% increase in day-old chick volumes over the comparative year, a result arising from the combination of the continuous improvement in the retail platform offering, general recovery of the chicken industry from the AI epidemic, and a well-executed strategic raw material strategy position.

The rebranding of the retail stores and enhancement of product offering within the store network continued during the period, resulting in double digit increases being reported in volumes from rebranded stores.

PROTEIN

This reporting segment comprises the results of Colcom, Irvine's, Associated Meat Packers (AMP) and the "Texas Meats" and "Texas Chicken" branded store networks.

The **Colcom Division**, comprising, Triple C Pigs, Colcom Foods and the newly-created "Simon's Pies", increased overall volumes by 12% over the comparative year. Fresh pork and processed meats volumes increased by 14%; a result of investments in upstream pig production facilities; whist pie volume growth of 8% was aided by the restructuring of the Simon's Pies manufacturing line in January 2018.

The additional piggery operating under Triple C Pigs, came into full production during the year under review delivering an additional 26% in pig numbers to the business, while at Simon's Pies, operational capabilities were improved, product flow re-designed and product re-developed, re-branded and re-launched.

The business will continue with initiatives to further increase its pig herd and in line with the Group's commitment to support agricultural growth in Zimbabwe, will also initiate an investment to commence internal production of maize and soya's.

Irvine's completed its biological asset re-stocking programme during the year under review following the AI outbreak in 2017. Over the comparative year, table egg volumes increased by 81%, with volume growth also being recorded in the day-old chick (14%) and frozen chicken (7%) categories. All units are now operating at, or above, pre-AI capacity.

Biosecurity remains a high priority focus and continues to be enhanced to world-class standards, with preventative and detective tests being carried out regularly. A formal AI response plan using global best practices has been developed in liaison with the Department of Veterinary Services; this will help to minimise the financial effects to the industry in the event of future AI outbreaks.

In the **AMP Group**, cattle volumes at the Zimnyama slaughter facility continued to increase and by the end of the financial year, this operation was providing the core AMP down-packing operation with over 75% of its raw material requirements.

AMP wholesale and retail annual volumes were similar to the comparative year. The retail platform continues to be expanded under the "Texas" brand and will launch the exciting new "Texas Meat Market" concept in Bulawayo in September 2019.

AMP's **Texas Chicken** retail operation, continued to show excellent growth with volumes increasing by 63% over the comparative year. New sites were opened in Kwekwe and Bulawayo during the year under review, with Rusape and Zvishavane added in the first quarter of the 2020 financial year.

OTHER LIGHT MANUFACTURING AND GROUP SERVICES

This reporting segment comprises the results of the Group's interests in Prodairy, Probottlers, Natpak and non-controlling interests in Probrands and Capri as well as the Group's shared services.

Prodairy continues to perform well, and by the end of the financial year under review was receiving approximately 20% of current national raw milk supply. Actual volume growth in the business was strong at 76% compared to the comparative year, with both the milk category, operating under the "Life" brand, and dairy blend category operating under the popular "Revive" brand, performing ahead of expectation. Maheu, also operating under the "Revive" brand was added to the basket of products produced from this operation toward the latter part of the financial year under review and is expected to make a significant contribution to the business. The business has also just commenced production of butter, and this too, has had a positive start.

The Company's backward integration initiative into milk production at Grasslands Research Station in Marondera, through its Mafuro Farming operation, continues to perform well, and is now producing around 12% of the company's overall raw milk intake.

At **Probottlers**, volumes grew by 52% over the comparative year with strong growth coming across both the cordial and carbonated categories following the commissioning of additional bottling and filling capacity. Further plant upgrades are planned for commissioning during the second half of the 2020 financial year and should result in additional cost optimisation going forward.

At **Natpak**, volume growth of 36% over the comparative year was driven largely by the increased utilisation of the newly commissioned corrugated packaging plant and volumes created from the newly-established rigids packaging plant. The recently expanded sacks production capacity also contributed to volume growth whilst the flexibles division continued to make a strong contribution to the overall volumes mix. Initiatives to add additional packaging capabilities are currently being investigated and should see this business continue with its steep growth trajectory.

Probrands volumes were 34% above those achieved in the comparative year. Growth in volumes was supported by strong performances in both rice and sugar down-packing.

PROSPECTS

The overall performance of the Group over the past year has been extremely positive, and has been achieved in a challenging and ever-changing economic environment.

The economy, however, is currently adapting to the introduction of the local currency, and is experiencing significant reactions in this regard with inflation, foreign currency and liquidity shortages, severe erosion of disposable incomes, and energy shortages being some of the issues faced by our businesses on a daily basis.

The immediate post year-end period saw a material volume reduction as consumers adjusted to the local currency market conditions, and whilst volumes have steadily improved it does appear that the coming half will see substantially reduced volumes compared to the prior period.

Our management teams will be highly focused on adapting their business models to this new environment to take account of prevailing conditions. In this regard, attainment of volume targets and, most importantly, control of the overhead base which is experiencing extreme cost-push, will be key focus areas. Re-establishing the working capital base, following a sustained period of inflation will also be a high-priority area. The Group has an extremely strong asset base and will leverage off this platform to attain the necessary funding required to support the significantly increased values of working capital now required, and to deploy to expansion projects. Financial institution funding support has been limited due to liquidity constraints, and in this regard the business is currently marketing a corporate bond in its own name to assist it in raising funding, which ordinarily should have been easily met by its financial institution partners, to meet its growth objectives.

The Group is the largest commercial user of grains in Zimbabwe and previously our businesses have acquired their key grain inputs at harvest or through imports. Given the changing local environment and the need to ensure adequate levels of raw material being available, the Group has commenced with an initial investment into maize and soya production for this coming agricultural season. Our intention will be to rapidly grow this part of the business, in order to make a meaningful contribution to our raw material requirements and also to agricultural development generally in Zimbabwe. Agricultural development will be the back-bone in the country's recovery and future success, and our Group is ready to play its part.

Our strategy will be executed through both corporate and contract farming smart partnerships and we will ensure that we utilise the best skills available to ensure success of this initiative. We encourage the authorities to initiate clear and simple policy to encourage further investment to take place.

Our individual business models remain strong and we will continue to invest in organic growth projects such as automation and expanded capability in the production of synergistic products. We will also continue to look at growth opportunities in new, adjacent categories.

DIVIDEND

The Board is pleased to declare a final dividend of 7.87 ZWL cents per share payable in respect of all ordinary shares of the Company, bringing the total dividend for the year to 10.39 ZWL cents. The dividend is in respect of the financial year ended 30 June 2019 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday 18 October 2019.

The payment of this final dividend will take place on or about 4 November 2019. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of Tuesday 15 October 2019 and ex-dividend as from Wednesday 16 October 2019.

The Board has also declared a final dividend totalling ZWL 2 200 000 to Innscor Africa Employee Share Trust (Private) Limited.

APPRECIATION

I wish to record my appreciation to the Executive Directors, Management and Staff for their effort during the year under review. I also wish to thank the Non-Executive Directors for their wise counsel as well as the Group's customers, suppliers and other stakeholders for their continued support and loyalty.

A.B.C. CHINAKE
Chairman
20 September 2019

Abridged Audited Group Statement of Profit Or Loss and Other Comprehensive Income

	Note	Year Ended 30 June 2019 audited ZWL	Year Ended 30 June 2018 audited ZWL
REVENUE		**1 285 539 382**	**631 282 790**
Operating profit before depreciation, amortisation and fair value adjustments		**258 021 801**	**77 161 982**
financial loss	4	(9 987 551)	(3 611 024)
depreciation and amortisation		(32 537 965)	(16 619 630)
Operating profit before interest, equity accounted earnings and fair value adjustments		**215 496 285**	**56 931 328**
fair value adjustments on livestock and listed equities		41 392 051	955 055
Profit before interest and tax		**256 888 336**	**57 886 383**
interest income		3 236 032	1 426 420
interest expense		(13 401 501)	(8 226 676)
equity accounted earnings		49 418 333	11 785 408
Profit before tax		**296 141 200**	**62 871 535**
tax expense		(57 302 528)	(14 155 566)
Profit for the year		**238 838 672**	**48 715 969**
Other comprehensive income - to be recycled to profit or loss			
exchange differences arising on the translation of foreign operations		116 122 668	(17 478)
Other comprehensive income for the year, net of tax		**116 122 668**	**(17 478)**
Total comprehensive income for the year		**354 961 340**	**48 698 491**
Profit for the period attributable to:			
equity holders of the parent		176 786 870	32 882 666
non-controlling interests		62 051 802	15 833 303
		238 838 672	**48 715 969**
Total comprehensive income for the period attributable to:			
equity holders of the parent		288 247 701	32 865 617
non-controlling interests		66 713 639	15 832 874
		354 961 340	**48 698 491**
EARNINGS PER SHARE (CENTS)			
Basic earnings per share	12	31.69	5.99
Headline earnings per share	12	31.19	6.09
Diluted basic earnings per share	12	30.90	5.99
Diluted headline earnings per share	12	30.42	6.09

Abridged Audited Group Statement of Financial Position

	Note	At 30 June 2019 audited ZWL	At 30 June 2018 audited ZWL
ASSETS			
Non-current assets			
property, plant and equipment		642 628 608	181 132 524
intangible assets		41 369 714	38 953 388
investments in associates		193 767 096	40 425 550
financial assets		74 515 475	14 417 752
biological assets		9 321 747	2 643 232
deferred tax assets		—	4 920 894
		961 602 640	**282 493 340**
Current assets			
biological assets		42 679 332	12 508 176
inventories	8	231 596 747	90 444 976
trade and other receivables	9	306 701 973	115 793 108
cash and cash equivalents		146 106 180	60 501 483
		727 084 232	**279 247 743**
assets of disposal group classified as held for sale	11	—	3 402 447
		727 084 232	**282 650 190**
Total assets		**1 688 686 872**	**565 143 530**
EQUITY AND LIABILITIES			
Capital and reserves			
ordinary share capital		5 597 264	5 597 264
class "A" ordinary share capital		10	10
share premium		17 811 532	17 811 532
other reserves		374 736 570	(12 826 920)
distributable reserves		364 769 791	205 333 414
attributable to equity holders of the parent		**762 915 167**	**215 915 300**
non-controlling interests		276 161 650	105 641 812
Total shareholders' equity		**1 039 076 817**	**321 557 112**
Non-current liabilities			
deferred tax liabilities		133 738 056	29 935 155
interest-bearing borrowings		8 000 380	4 627 166
		141 738 436	**34 562 321**
Current liabilities			
interest-bearing borrowings		200 790 773	85 169 851
trade and other payables	10	273 252 311	120 381 353
provisions and other liabilities		3 037 295	2 522 215
current tax liabilities		30 791 240	780 527
		507 871 619	**208 853 946**
liabilities directly associated with the assets classified as held for sale	11	—	170 151
		507 871 619	**209 024 097**
Total liabilities		**649 610 055**	**243 586 418**
Total equity and liabilities		**1 688 686 872**	**565 143 530**

Abridged Audited Group Statement of Cash Flows

	Year Ended 30 June 2019 audited ZWL	Year Ended 30 June 2018 audited ZWL
Cash generated from operating activities	**39 476 844**	**95 308 153**
interest income	3 236 032	1 426 420
interest expense	(13 401 501)	(8 226 676)
tax paid	(21 295 509)	(8 171 060)
Total cash available from operations	**8 015 866**	**80 336 837**
Investing activities	**(61 815 198)**	**(46 660 439)**
Net cash (outflow)/inflow before financing activities	**(53 799 332)**	**33 676 398**
Financing activities	**81 044 750**	**(3 429 318)**
Net increase in cash and cash equivalents	**27 245 418**	**30 247 080**
Effects of currency translation on cash and cash equivalents - foreign operations	**58 359 279**	**—**
Cash and cash equivalents at the beginning of the year	**60 501 483**	**30 254 403**
Cash and cash equivalents at the end of the period	**146 106 180**	**60 501 483**

Abridged Audited Group Statement of Changes in Equity

	attributable to equity holders of the parent													
				Other Reserves										
	Class "A" Ordinary Share Capital ZWL	**Ordinary Share Capital ZWL**	**Share Premium Reserve ZWL**	**Restructure Reserve ZWL**	**Foreign Currency Translation Reserve ZWL**	**Change in Functional Currency Reserve ZWL**	**Treasury Shares ZWL**	**Share based Payment Reserve ZWL**	**Total Other Reserves ZWL**	**Distributable Reserves ZWL**	**Total Attributable to Equity Holders of the Parent ZWL**	**Non-Controlling Interests ZWL**	**Total Shareholders' Equity ZWL**
Balance at 1 July 2017	**5 415 934**	**10**	**—**	**(2 791 982)**	**157 617**	**—**	**(393 043)**	**161 353**	**(2 866 055)**	**183 872 413**	**186 422 302**	**99 036 477**	**285 458 779**
Profit for the year	—	—	—	—	—	—	—	—	—	32 882 666	32 882 666	15 833 303	48 715 969
Other comprehensive income	—	—	—	—	(17 049)	—	—	—	(17 049)	—	(17 049)	(429)	(17 478)
Dividends paid	—	—	—	—	—	—	—	—	—	(10 530 535)	(10 530 535)	(6 977 060)	(17 507 595)
Issue of shares - Acquisition of Colcom Holdings Limited non-controlling interests	181 330	—	17 951 700	—	—	—	—	—	—	—	18 133 030	—	18 133 030
Transactions with owners in their capacity as owners	—	—	(140 168)	(10 342 638)	—	—	(294 747)	—	(10 637 385)	(891 130)	(11 668 683)	(2 250 479)	(13 919 162)
Share-based payment charge for the year, net of tax	—	—	—	—	—	—	—	693 569	693 569	—	693 569	—	693 569
Balance at 30 June 2018	**5 597 264**	**10**	**17 811 532**	**(13 134 620)**	**140 568**	**—**	**(687 790)**	**854 922**	**(12 826 920)**	**205 333 414**	**215 915 300**	**105 641 812**	**321 557 112**
Effect of adoption of IFRS 9 (Financial Instruments)	—	—	—	—	—	—	—	—	—	(1 045 246)	(1 045 246)	(597 077)	(1 642 323)
Restated Balance at 30 June 2018	**5 597 264**	**10**	**17 811 532**	**(13 134 620)**	**140 568**	**—**	**(687 790)**	**854 922**	**(12 826 920)**	**204 288 168**	**214 870 054**	**105 044 735**	**319 914 789**
Profit for the period	—	—	—	—	—	—	—	—	—	176 786 870	176 786 870	62 051 802	238 838 672
Other comprehensive income	—	—	—	—	111 460 831	—	—	—	111 460 831	—	111 460 831	4 661 837	116 122 668
Dividends paid	—	—	—	—	—	—	—	—	—	(22 025 824)	(22 025 824)	(12 215 008)	(34 240 832)
Gain on change of functional currency	—	—	—	—	—	282 177 143	—	—	282 177 143	—	282 177 143	117 239 940	399 417 083
Unwinding of the change in functional currency reserve	—	—	—	—	—	(7 482 514)	—	—	(7 482 514)	7 482 514	—	—	—
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	—	—	(1 761 937)	(1 761 937)	(621 656)	(2 383 593)
Share-based payment charge for the period, net of tax	—	—	—	—	—	—	—	1 408 030	1 408 030	—	1 408 030	—	1 408 030
Balance at 30 June 2019	**5 597 264**	**10**	**17 811 532**	**(13 134 620)**	**111 601 399**	**274 694 629**	**(687 790)**	**2 262 952**	**374 736 570**	**364 769 791**	**762 915 167**	**276 161 650**	**1 039 076 817**

Supplementary Information

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Basis of Preparation

The Group`s annual financial statements have been prepared in accordance with International Financial Reporting Standards("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24.03) except for the non-compliance with International Accounting Standard ("IAS") 21, (The Effects of Changes in Foreign Exchange Rates).

The consolidated financial statements have been prepared based on the statutory records that are maintained under the historical cost basis, except for equity investments and biological assets that have been measured at fair value. The consolidated financial statements are presented in Zimbabwe Dollar (ZWL) and all values are rounded to the nearest dollar, except where otherwise indicated.

The principal accounting policies of the Group have been consistently applied in all material respects with those of the previous year except for the adoption of the following standards and amendments effective for the current period:

a) IFRS 9 (Financial Instruments)
b) IFRS 15 (Revenue from Contracts with Customers)

2.1 Adoption of IFRS 9

The Group adopted IFRS 9 on 1 July 2018 as a replacement of IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 introduced new requirements which include the classification and measurement of financial instruments and expected credit loss (ECL) models. As permitted by IFRS 9, the Group elected not to restate its comparative financial statements. Consequently, comparative information is reported on an IAS 39 basis and is not fully comparable to prior period and/or prior year information. The impact of adopting IFRS 9 has been applied prospectively with an adjustment to the Group's opening reserves at 1 July 2018.

Impact on financial instruments classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed for classification and measurement based on a combination of the entity's business model for managing the assets and the instruments contractual cash flow characteristics. The IAS 39 measurement categories for financial assets (at fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by; at amortised cost, at fair value through other comprehensive income (FVTOCI), and at fair value through profit or loss (FVTPL).

The initial adoption of IFRS 9 measurement categories did not result in changes in the classification of financial assets and liabilities as required by IAS 39.

Impact on impairment of financial assets – ECL measurement

The material impact of the adoption of IFRS 9 for the Group is on the ECL measurement. The ECL approach is a forward-looking impairment measurement basis which significantly differs from the incurred loss model approach under IAS 39. IFRS 9 requires the recognition of an allowance for ECLs for all trade receivables and financial guarantee contracts (where criteria is met). The allowance is based on the ECLs associated with the probability of default over the lifetime of the trade receivables. The ECLs are measured based on unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes and forward-looking information.

The adoption of IFRS 9 resulted in a retrospective adjustment against the Group's retained earnings of ZWL1,045,246 as at 1 July 2018 after taking into account the non-controlling interest therein.

Impact of IFRS 9 adoption on opening reserves and non-controlling interest

	Distributable Reserves Audited ZWL	Non-Controlling Interest Audited ZWL
Balance at 1 July 2018 – as previously stated	**205 333 414**	**105 641 812**
Decrease in trade and other receivables	(1 160 649)	(804 144)
Decrease in share of profit from associates	(183 464)	—
Increase in deferred tax liability	298 867	207 067
Net effect of adoption of IFRS 9	**(1 045 246)**	**(597 077)**
Balance at 1 July 2018 – restated	**204 288 168**	**105 044 735**

2.2 IFRS 15 (Revenue from Contracts with Customers)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 superseded the previous revenue recognition guidance including IAS 18 (Revenue), IAS 11 (Construction Contracts) and the related interpretations when it became effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group adopted IFRS 15 using the modified retrospective approach in the current financial period presented. The initial adoption of IFRS 15 did not result in changes to the manner in which the Group accounts for revenue and its contracts with customers.

2.3 IAS 21 (The Effects of Changes in Foreign Exchange Rates)

The Monetary Policy statement issued on 20 February 2019 by the Reserve Bank of Zimbabwe and Statutory Instrument 33 of 2019 (SI 33) issued by the Government on 22 February 2019 (effective date) prescribed the following:

a) Denomination of Real Time Gross Settlement system (RTGS) balances, bond notes and coins, collectively as RTGS Dollars (ZWL);
b) RTGS dollars become part of the multi-currency system;
c) RTGS dollars to be used by all entities (including Government) and individuals in Zimbabwe for the purposes of pricing goods and services, record debts, accounting and settlement of domestic transactions, and
d) Establishment of an inter-bank foreign exchange market where the foreign exchange rates would be determined on a willing-buyer, willing-seller basis.

According to SI 33, RTGS balances expressed in the USD immediately before the effective date, were deemed to be opening balances in RTGS dollars at par with the USD. Foreign currency designated accounts (Nostro FCA) continued to be designated as such while foreign loans and obligations continued to be payable in foreign currency.

Following the promulgation of SI 33, the Directors performed an assessment on the functional and presentation currency of the Group in accordance with IFRSs and concluded that the functional and presentation currency of the Group had changed from USD to ZWL.

For the purposes of establishing take-on ZWL balances into the ZWL functional currency on the effective date, the Group applied a foreign currency exchange rate which equated to the exchange rate (implied) obtained by the Group in procurement arrangements concluded with local suppliers of imported raw materials. The average implied rate during the month of February was USD1: ZWL4. As a result, the Group has recognised an increase in net assets amounting to ZWL399,417,083 arising from the conversion of balances of property, plant and equipment, investments in associates and financial assets as at the effective date, with the resulting equity uplift recorded as a non-distributable change in functional currency reserve after taking into account non-controlling interests' share. Comparative financial information and that from the period from 1 July 2018 to 22 February 2019 has been translated on the assumption that the USD and the ZWL were at par.

3 Operating Segments

The Group's operations comprise of the Mill-Bake, Protein, Other Light Manufacturing and Services businesses and Head Office Services Segments explained as follows:

Mill-Bake Segment - reports the results of the Group's interests in National Foods Holdings Limited, the Bakery division and non-controlling interest in Profeeds (Private) Limited.

Protein Segment - reports the results of the Group's interests in the Colcom Division, Irvine's Zimbabwe (Private) Limited, Associated Meat Packers (Private) Limited (AMP) and Intercane Investments (Private) Limited.

Other Light Manufacturing and Services - reports the results of the Group's controlling interests in Natpak (Private) Limited, Prodairy (Private) Limited, Pangolin Investments (Private) Limited, Probottlers (Private) Limited, and associated interests in Probrands (Private) Limited, Innscor Appliance Manufacturing (Private) Limited t/a Capri, Paperhole Investments (Private) Limited and Afrigrain Trading Limited.

Head Office Services - reports the Group's shared services functions of treasury, legal, tax, audit, payroll and information technology.

Supplementary Information (continued)

3 **Operating Segments** (continued)

Segment Analysis

	Mill-Bake ZWL	Protein ZWL	Other Light Manufacturing and Services ZWL	Head Office Services ZWL	Adjustments ZWL	Total ZWL	Total Discontinuing Operations ZWL
Revenue							
30 June 2019	730 152 978	391 071 376	213 312 423	8 001 780	(56 999 175)	1 285 539 382	—
30 June 2018	392 023 406	181 672 041	74 965 438	5 164 512	(22 542 607)	631 282 790	—
Operating profit/(loss) before depreciation and amortisation							
30 June 2019	133 414 515	85 268 817	44 309 943	(4 971 474)	—	258 021 801	—
30 June 2018	38 420 219	20 208 773	12 560 231	5 972 759	—	77 161 982	—
Depreciation and amortisation							
30 June 2019	13 911 920	10 827 293	7 085 443	434 124	279 186	32 537 965	—
30 June 2018	6 933 430	5 652 802	3 400 517	270 654	362 227	16 619 630	—
Equity accounted earnings							
30 June 2019	20 291 168	—	6 873 857	22 253 308	—	49 418 333	—
30 June 2018	7 679 715	389 138	3 716 555	—	—	11 785 408	—
Profit before tax							
30 June 2019	139 340 092	61 896 024	41 136 052	53 738 775	30 257	296 141 200	—
30 June 2018	35 197 030	12 972 186	11 689 798	3 374 748	(362 227)	62 871 535	—
Segment assets							
30 June 2019	751 024 643	368 539 978	283 224 822	179 474 389	106 423 040	1 688 686 872	—
30 June 2018	316 181 725	125 162 922	78 000 728	37 810 484	4 585 224	561 741 083	3 402 447
Segment liabilities							
30 June 2019	297 016 858	151 697 065	127 316 399	120 052 469	(46 472 736)	649 610 055	—
30 June 2018	114 139 330	44 981 616	23 478 145	55 417 739	5 399 437	243 416 267	170 151
Capital expenditure							
30 June 2019	23 388 380	22 939 824	18 749 934	5 186 615	—	70 264 753	—
30 June 2018	10 695 911	6 102 166	16 611 346	3 159 696	—	36 569 119	—

	30 June 2019 audited ZWL	30 Jun 2018 audited ZWL
4 Financial loss		
Exchange gains/(loss) - realised	1 697 498	(2 735 922)
Exchange losses - unrealised	(12 382 968)	(281 035)
Profit on restructure of associate and subsidiaries	2 228 415	138 184
Profit on disposal of listed equities	—	236 980
Profit on disposal of property, plant and equipment and intangible assets	41 940	72 385
Livestock impaired due to Avian Influenza	—	(1 169 741)
Other	(1 572 436)	128 125
	(9 987 551)	**(3 611 024)**
5 Future lease commitments		
Payable within one year	5 533 529	3 482 073
Payable two to five years	16 294 166	11 550 999
Payable after five years	1 023 476	3 582 885
	22 851 171	**18 615 957**
6 Commitments for capital expenditure		
Contracts and orders placed	48 819 715	23 891 422
Authorised by Directors but not contracted	133 884 594	30 114 794
	182 704 309	**54 006 216**

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

7 **Interest-Bearing Borrowings**

Interest-bearing borrowings constitute bank loans from various local financial institutions which accrue interest at an average rate of 8.91% per annum at the end of the period.

These facilities expire at different dates and will be reviewed and renewed when they mature.

	30 June 2019 audited ZWL	30 Jun 2018 audited ZWL
8 Inventories		
Consumable stores	33 554 866	17 574 438
Finished products, net of allowance for obsolescence	37 207 834	13 079 618
Raw materials and packaging	156 714 995	58 970 923
Goods in transit	305 233	39 808
Work in progress	3 813 819	780 189
	231 596 747	**90 444 976**
9 Trade and other receivables		
Trade receivables	108 815 409	58 828 543
Prepayments	150 216 887	38 872 033
Rental deposits	2 856 893	47 844
VAT Receivable	9 879 636	11 496 108
Other receivables	44 085 770	13 763 846
	315 854 595	**123 008 374**
Allowance for credit losses	(9 152 622)	(7 215 266)
	306 701 973	**115 793 108**
10 Trade and other payables		
Trade payables	153 522 484	67 975 714
Accruals	57 617 341	13 551 311
Other payables	62 112 486	38 854 328
	273 252 311	**120 381 353**
11 Assets of disposal group classified as held for sale		
These comprises the depot properties of National Foods Holdings Limited that were disposed in the comparative period, as follows:		
Land and Buildings	—	3 402 447
Deferred tax relating to assets held for sale	—	(170 151)

12 **Earnings per share**

Basic earnings basis

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue for the year.

Diluted earnings basis

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for potential conversion of share options. The potential conversion is possible when the average market price of ordinary shares during the year is below the exercise price of such options.

The share options arising from the Group's Employee Share Trust Scheme were not dilutive as at the end of the current period.

The share options arising from the Group's Indigenisation transaction and from the 2016 Innscor Africa Limited Share Option Scheme had a dilutive effect at the end of the period as shown in note 12c below.

Headline earnings basis

Headline earnings comprise of basic earnings attributable to equity holders of the parent adjusted for profits, losses and items of a capital nature that do not form part of the ordinary activities of the Group, net of their related tax effects and share of non-controlling interests as applicable.

The following reflects the income data used in the basic, headline and diluted earnings per share computations:

	30 June 2019 audited ZWL	30 Jun 2018 audited ZWL
a Net profit attributable to equity holders of the parent	176 786 870	32 882 666
b Reconciliation of basic earnings to headline earnings		
Profit for the period attributable to equity holders of the parent	176 786 870	32 882 666
Adjustment for non-headline items (gross of tax):		
Livestock and stockfeeds impaired due to Avian Influenza	—	2 041 998
Profit on disposal of property, plant and equipment and intangible assets	41 940	(72 385)
Profit on restructure/disposal of associates/subsidiaries	(2 228 415)	(138 184)
Profit on disposal of assets held for sale	(409 865)	—
Tax effect on adjustments	(10 800)	(507 176)
Non-controlling interests' share of adjustments	(178 260)	(773 732)
Headline earnings attributable to ordinary shareholders	**174 001 470**	**33 433 187**
c Reconciliation of weighted average number of ordinary shares	**No. of shares issued**	**No. of shares issued**
Number of shares in issue at the beginning of the year	559 726 470	541 593 440
Add: Weighted Average number of shares issued during the year	—	9 216 789
Less: Weighted Average number of Treasury Shares	(1 818 912)	(1 738 103)
Weighted Average Number of Shares	**557 907 558**	**549 072 126**
Weighted average number of ordinary shares before effect of dilution	557 907 558	549 072 126
Effect of dilution from Indigenisation transaction and the 2016 IAL Share Options Scheme	14 144 688	176 451
Weighted average number of ordinary shares adjusted for the effect of dilution	**572 052 246**	**549 248 577**
Basic earnings per share (cents)	31.69	5.99
Headline earnings per share (cents)	31.19	6.09
Diluted basic earnings per share (cents)	30.90	5.99
Diluted headline earnings per share (cents)	30.42	6.09

	30 June 2019 audited ZWL	30 Jun 2018 audited ZWL
13 Contingent liabilities		
Guarantees		
The contingent liabilities relate to bank guarantees provided in respect of associate companies borrowings as at June 2019	151 569 529	169 900 000

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INNSCOR AFRICA LIMITED

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Innscor Africa Limited and its subsidiaries (the Group), as set out on pages 16 to 79 , which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 30 June 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

Date of change in functional currency (Non-compliance with IAS 21)

As explained in note 2.2 to the consolidated financial statements, the Group applied the United States Dollar (US$) as its functional currency for the period 1 July 2018 to 22 February 2019 and the Real Time Gross Settlement Dollars (RTGS$) and Zimbabwe Dollars (ZWL) for the period 23 February 2019 to 30 June 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The consolidated financial statements are presented in ZWL.

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 out local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro US$ Accounts effective 1 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 US$. In February 2019 there was a Monetary Policy statement which introduced RTGS$ and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, ZWL (which comprises RTGS$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to ZWL) and whether the 1:1 ZWL: US$ exchange rate was appropriate.

Based on IFRS, International Accounting Standard 21 (IAS 21)-*The Effects of Changes in Foreign Exchange Rates*- 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."*

Based on IFRS, International Accounting Standard 21 (IAS 21)-*The Effects of Changes in Foreign Exchange Rates*- 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 subsequent promulgation of the ZWL as a formal currency supports a change in functional currency from US$ to ZWL prior to 22 February 2019 and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US$ exchange rate and this occurred effective 1 October 2018. The Group has chosen to comply with the law by adopting the date of change in functional currency of 22 February 2019. This therefore impacts the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019, the valuation of assets and liabilities as well as the accounting for exchange differences.

Accordingly, the consolidated financial statements of the Group include balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2.2 to the consolidated financial statements.

Exchange rates (Non-compliance with IAS 21)
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 of the 20th of February 2019 for transactions from 1 October 2018 to 22 February 2019. On the 22nd of February 2019, the Group translated most of the applicable foreign denominated non-monetary and monetary assets and liabilities at that date to ZWL at an exchange rate of 1:4 between US$ and ZWL.

The Group's non-current assets included Goodwill amounting to US$38, 9 million which was translated at a rate of ZWL1: US$1 on the date of change in functional currency and this is not in line with the requirements of IAS 21. Had the balance been translated using an exchange rate applied on other items, the resultant translation gain to be accounted for through the income statement would have been ZWL116.7 million. Foreign currency denominated transactions and balances between the 23rd of February 2019 and the 30th of June 2019 were translated to ZWL based on Group exchange rates obtained or implied in the market. As at 30 June 2019, all monetary balances were translated at a closing rate of US$1: ZWL 6,75, which was based on the official interbank rate. The exchange rates used did not meet the criteria for appropriate exchange rates in terms of IFRS as defined below;

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. In light of the definitions above, the IFRS Interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

We therefore believe that the exchange rates for transactions and balances between the US$ and the RTGS$/ZWL used by the Group (1:1 for the period 1 October 2018 to 22 February 2019, 1:4 for the translation to functional currency on 22 February 2019 except for property, plant and equipment where the effective exchange rate factor was 3,2 and goodwill where the exchange rate applied was 1:1. Group rates obtained or implied for transactions between 23 February 2019 and 30 June 2019 and 1:6.75 closing rate based on the official interbank rates at 30 June 2019) did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above.

Treatment of gains or losses arising from translation on 23 February 2019
The Group's net translation gain on conversion of non-monetary and monetary assets and liabilities to ZWL on change in functional currency from the USD$ and amounting to ZWL$399,42 million was recognised directly in equity as a non-distributable reserve which represents a departure from the requirements of IFRS. IFRS requires that all line items at the date of change in functional currency should be translated at the same rate to the new currency and therefore there would be no translation adjustments and that should there be such translation differences these would be recognised in the statement of profit or loss.

The effects of the above departures from IFRS are material and pervasive to the consolidated financial statements
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 Consolidated 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 Chairman's Statement and the Company Statement of Financial Position but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Review of Operations, the Directors' Responsibility and Approval of Financial Statements and Report of Directors is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 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 included therein and affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated Financial Statements
The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 consolidated 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 matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated 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 Mr David Gwande (PAAB Practicing Certificate Number 132).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare
27 September 2019