Audited Abridged Financial Results

For The Year Ended 30 June 2019

Simbisa Brands
LIMITED

Salient Features

FOR THE YEAR ENDED 30 JUNE 2019

REVENUE ZWL	OPERATING PROFIT BEFORE DEPRECIATION, IMPAIRMENT AND AMORTISATION ZWL	PROFIT BEFORE TAX ZWL	PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ZWL	BASIC EARNINGS PER SHARE ZWL CENTS	CASH GENERATED FROM OPERATING ACTIVITIES ZWL	DIVIDEND DECLARED PER SHARE ZWL CENTS
390,793,795	64,031,578	49,834,161	32,138,552	5.77	73,586,884	1.91
↗91%	↗128%	↗148%	↗127%	↗126%	↗160%	↗91%

Chairman's Statement

OVERVIEW

Challenging trading conditions persisted in the year under review. In Zimbabwe, foreign currency shortages and exchange rate devaluation, rampant inflation, policy uncertainty, high unemployment and electricity and fuel shortages have resulted in a particularly challenging operating context for Simbisa's largest operating market. The Group's regional markets have benefited from relatively stable operating environments in the financial year under review, with relatively few exogenous shocks in the respective business' trading environment. The biggest risk in our regional markets emanates from currency exchange rate volatility which negatively impacts customer spending patterns and margins. Zambia and Ghana in particular have been affected by exchange rate weakness with the Ghanaian Cedi and the Zambian Kwacha respectively, which depreciated significantly against the USD over the duration of the financial year under review.

In Kenya, our largest market outside Zimbabwe, the Board is pleased to report progress in achieving our strategic intent of growing our footprint in the market. Capital allocation and new store roll-out have been a key area of focus for the Board and Management in this market over the year.

In our other regional markets, namely Zambia, Mauritius, Ghana and Namibia, which have a combined store count of 69, focus was on improving efficiencies and investing in building brand equity. There are still challenges, that include the depreciating local currencies in Zambia and Ghana. Our short-term targets are therefore underpinned by getting the right people to manage each business, investing in training and talent retention and improving operational efficiencies. We remain confident of achieving profitability in these markets in the medium term.

Our franchise markets are increasingly offering growth opportunities which the Group is pursuing with its strategic partners in those markets. For example, in the Democratic Republic of Congo, an additional 4 stores were opened during the year to close the year at fourteen stores.

MATERIAL FINANCIAL REPORTING MATTERS

Functional and Reporting Currency

Zimbabwe experienced significant monetary and exchange control policy changes during the Group's financial year:

- On 1 October 2018, banks were instructed to separate and create distinct (separate) bank accounts for depositors, namely: RTGS FCA and Nostro FCA accounts. On one hand, Nostro FCA accounts were designated to hold funds that pertain to free funds, diaspora remittances, international organisations' remittances, portfolio investment inflows, foreign currency loan proceeds and export retention proceeds. On the other, RTGS FCA accounts constituted of all Real Time Gross Settlement (RTGS) or mobile money transfers and bond notes and coins deposit accounts for Individuals and Corporates. However, the balances in the two types of accounts continued to be referred to as the United States Dollar (USD) and the exchange rate remained fixed at 1:1.
- On the 22nd of February 2019, Statutory Instrument (S.I) 32 of 2019 was issued, introducing a new currency called the RTGS Dollar. The Exchange Control Directive RU 28 of 2019 was issued on the same day which introduced an interbank market for the RTGS Dollar and the USD as well as other existing currencies in the multi-currency regime. In addition , Statutory Instrument 33 of 2019 was issued on 22 February 2019 and it specified, among other things, that for accounting and other purposes, all assets and liabilities that were immediately before the effective date valued in United States Dollars (other than assets and liabilities referred to in section 44C(2) of the Reserve Bank of Zimbabwe Act) shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States Dollar.
- On 24 June 2019, a statutory instrument (S.I) 142 of 2019 was issued, ending the multicurrency system which had been introduced in 2009, reintroducing the Zimbabwe Dollar as the sole legal tender in Zimbabwe.

The above events point to a phased change in the functional currency in Zimbabwe from the USD to the Zimbabwe Dollar. The Group has assessed the impact of these events and the Board retrospectively changed the reporting currency from US dollar to Zimbabwe Dollar (ZWL)effective 22 February 2019.

The aforementioned changes in the legal framework have presented market-wide challenges in terms of compliance with International Financial Reporting Standards (IFRS) due to conflicts with International Accounting Standard (IAS) 21: The Effects of Changes in Foreign Exchange Rates. This has resulted in the External Auditors issuing an adverse audit opinion on the Group's annual financial statements in accordance with guidance issued by the Public Accountants and Auditors Board in Zimbabwe.

For reporting the financial performance and position of foreign operations and Zimbabwe foreign currency denominated transactions and balances, the Group retained the official exchange rate of 1:1 between the US dollar and the Zimbabwe dollar from the beginning of the financial year to 22 February 2019 and thereafter resolved to apply the interbank rates applicable from time to time during the reporting period. The numbers for the comparative period have also been presented in Zimbabwe dollars using an exchange rate of 1:1 to the US dollar.

Hyperinflationary Accounting

As at the end of the financial period, Zimbabwe recorded year-on-year inflation of 175,6%. Consultations are currently underway within the Accounting Profession regarding whether Zimbabwe needs to adopt IAS 29: Financial Reporting in Hyperinflationary Economies. In the absence of year-on-year Consumer Price Index data following the rebasing decision by the Ministry of Finance, the Group foresees difficulties in complying with the accounting standard going forward and has therefore continued to present the financial statements on a historical cost basis at this stage pending further clarity and guidance from the PAAB, the ZSE and other regulators on the issue.

GROUP RESULTS AND DIVIDEND

The Board is pleased with the Group's performance during the year. Key highlights include:

	FY19 ZWL millions	FY18 ZWL millions	Growth%
Revenue	390.8	204.7	91%
Operating Profit	64.0	28.1	128%
Profit Attributable to shareholders of Simbisa	32.1	14.2	127%
Cash Generated from Operations	73.6	28.3	160%
Total Assets	280.2	84.8	230%
Total Liabilities	181.2	46.7	288%
Total debt	63.2	16.8	276%

The following numbers are worth noting against the background of the aforementioned developments in respect of Zimbabwe's functional and reporting currency:

- A net foreign exchange loss of ZWL 2.7 million includes exchange losses arising from the revaluation of foreign denominated assets and liabilities on the Zimbabwe Balance Sheet. These balances were previously carried at an exchange rate of 1:1 up to end 22 February 2019 and revalued using applicable interbank rates thereafter.
- 82% of the growth in total assets and 87% in total liabilities is as a result of the impact of the Zimbabwe dollar devaluation in the reporting period on the translation of assets and liabilities in foreign subsidiaries.
- Property, Plant and Equipment in Zimbabwe at the beginning of the financial year has been translated from USD to ZWL at the official exchange rate of 1:1. In line with the Group's accounting policy, these assets have been reported using the Historical Cost Model. However, the application of the prescribed exchange rates on change in the functional currency may have resulted in the value of Property, Plant and Equipment being grossly undervalued. The Group intends to resolve this distortion in the new financial year either by changing the accounting policy to Revaluation Model, or adopting Hyperinflationary Accounting if the aforementioned technical challenges regarding compliance with the applicable accounting standard are overcome and/or resolved.
- Comparative financial information has been translated from USD to ZWL at the official fixed exchange rate of 1:1.
- Other reserves on the Group's Balance Sheet increased by ZWL37,5 million from prior year as a result of foreign exchange gains arising from the translation of assets and liabilities of foreign operations at interbank rates.

In view of the performance for the period and the need to maintain shareholder returns, I am pleased to announce that the Directors have declared a final dividend of 0.91 ZW$ cents per share to be paid on or about 8 November 2019. This takes the full year dividend to 1.91 ZW$ cents per share (FY18: 1 ZW$ cents per share). The Directors have also declared a final dividend totalling ZWL 255,794 to the Simbisa Brands Employee Share Trust.

CORPORATE DEVELOPMENTS

Certain key milestones were also achieved during the financial year, which included:

- Successful roll-out of the Dial a Delivery (DAD) mobile application in Zimbabwe and Kenya;
- Expansion strategy in Kenya gathering momentum with the market closing with 141 stores against 123 stores at 30 June 2018 and 130 stores at 31 December 2018.

5,400,000 employee share options granted in June 2016 vested during the financial year and 4,341,827 shares were issued to the qualifying employees while the balance was retained by the Company as treasury shares.

GOVERNANCE

The Board is committed to maintaining good corporate governance standards. The Group fully supports principles contained in the ZSE Revised Listing Rules gazetted in June 2019. The Board has formally adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. The Board is satisfied that the Group substantially complies with best corporate governance practices and has set focus areas to improve its governance policies and practices in the next financial year, including compliance with the aforementioned new regulatory requirements.

Since the changes made to the Board announced in the interim report, the Board composition has remained unchanged for the rest of the financial period.

SUSTAINABILITY

The Board recognizes that long-term business success includes making a positive contribution to society. This is the third year since the Group adopted Sustainability reporting and we continue to consider and improve how we measure the impact of the business on all our stakeholders including shareholders, employees, customers and the community.

OUTLOOK

The Board is confident that Simbisa is in a good position to navigate the evolving environments in the markets in which we operate. We expect Zimbabwe to be particularly challenging in the short to medium term and we are conscious of country debt-induced pressures in the Kenya and Zambia economies. We remain optimistic of improvements to conditions in the medium-term and providing sustainable growth and returns to our shareholders.

In the short-term, key priorities for the Board include oversight of Management's value preservation strategies in Zimbabwe and oversight of Regional store expansion strategies to ensure efficient capital allocation. The Board will also closely monitor Zambia, Ghana, Namibia and Mauritius with a view of growing scale in these markets.

In the short to medium-term, transformation projects which are currently underway will remain a key area of focus of the Board. These include expansion of Dial-a-Delivery services including online ordering platforms, roll out of a new ERP system and continuous improvement in training and talent management. Investment in our people, existing and new brands will remain strategic pillars to our success.

APPRECIATION

On behalf of the board, I would like to express my appreciation to all our stakeholders, loyal customers, supportive suppliers and each of the 5,151 associates who work at Simbisa Brands Limited. Their commitment and hard work have been critical in taking the Group to where it is today. I wish them every success in their endeavours as we build on the progress we have made into the next financial year.

For and on behalf of the Board

ABC Chinake
Non-Executive Chairman
7 October 2019

Dividend Announcement

NOTICE IS HEREBY GIVEN that on 12 September 2019 the Board of Directors declared a final dividend of ZWL 0.91 cents per share payable out of the profits of the Group for the year ended 30 June 2019.

The dividend will be payable in Zimbabwe dollars on or about 8 November 2019 to shareholders registered in the books of the Company close of business on 1 November 2019. The last day to trade cum-dividend is 29 October 2019 and the ex-dividend date 30 October 2019.

By order of the Board

Group Secretary
7 October 2019

Chief Executive Officer's Report

TRADING ENVIRONMENT

In the financial year ended 30 June 2019, economic challenges continued in our largest market, Zimbabwe. The environment was marked by hyper-inflation, shortage of foreign currency, acute power outages, price distortions, poor infrastructure service delivery and general economic uncertainty. Notwithstanding the announced fiscal and monetary interventions by the Government of Zimbabwe, the environment remains difficult. Management, with assistance from the Board, have proactively sought to manage these challenges, making bold decisions along the way. Despite these challenges, the Group has remained resilient and continues to pursue a growth strategy in all its markets.

GROUP PERFORMANCE OVERVIEW

ZIMBABWE

Deteriorating economic conditions in Zimbabwe have resulted in erosion of consumer earnings which in turn have negatively impacted our sales volumes and seen a general trend of customer downtrading. High and escalating inflation and foreign currency exchange rates are putting downward pressure on Gross Profit and Operating Margins. The Group's response has been to establish an optimal pricing strategy with controlled price adjustments necessary to maintain our margins whilst also keeping our prices competitive and affordable to an increasingly price-sensitive market. Disciplined cost of sales management and implementing a strict cost-control strategy has also been key to maintaining margins in the financial year under review and management have performed commendably in this regard.

Customer counts dropped 5% year-on-year as a result of the aforementioned pressure on consumers which has dampened consumer spend across the entire Zimbabwe consumer sector. Inflationary-driven price increases saw Average Spend increase 89% compared to prior year. Total revenue for the period increased 79% to ZWL 255.1m (ZWL 142.3m in FY18). Same store revenue increased 72% versus the prior year.

Efforts to defend the Zimbabwe operation's margins paid off and the GP Margin improved versus the prior comparable period as did Operating Profit Margins, which increased from 16.6% in FY2018 to 20.8% in FY2019. The Group continued to grow market share in Zimbabwe with the opening of 17 new counters between 30 June 2018 and 30 June 2019 to close the year with 209 counters. This included the launch of the new Nando's 'Casa' casual dining format which has been met with enthusiasm from our customers and is in line with our strategy to grow our casual dining, upper LSM market segment. Capex of ZWL 18.4m was outlaid during the period under review for expansion and maintenance of our existing counters to a best-in-class standard.

REGIONAL OPERATIONS

Customer counts in the regional business grew 6% from prior year and average spend in USD-terms remained firm, despite currency devaluation experienced in Ghana and Zambia where the respective local currencies dropped 13% and 29% against the US Dollar over the financial year under review. Revenue generated by our regional operations increased 12% year-on-year in USD-terms and 118% from prior year in Zimbabwe Dollar terms to $ 135.9 m ($ 62.4 m in FY2018). Regional operating margins improved from 7.3% in FY2018 to 8.1% in FY2019.

Growth in the regional business has been led by Kenya where 18 new counters were opened between 30 June 2018 and 30 June 2019 including the new Grilll Shack brand which was opened in January 2019 and is performing above expectations. The focus in our other regional markets has been to streamline the business, defend our market position and ensure existing operations generate positive returns on investment.

KENYA

Customer counts grew 4% versus prior year on a same store basis and 8% versus prior year when including the new stores opened in the period under review, with the full financial impact projected to come through from the first half of FY2020. Kenya closed the year with 141 counters in operation.

Kenya has been identified as a key growth market in our regional business due to a growing middle-class population, high and improving consumer income levels and stability in the trading environment. The Group will achieve organic growth through expansion of our existing brand footprint and remains vigilant to growth opportunities arising through new business acquisitions and partnerships.

ZAMBIA

Following the restructure in which we acquired the minority interest to own 100% of the Zambian business, there has been a marked improvement in the business' performance over the financial period under review with top line growth registered in local currency terms despite the closure of 10 counters in the second half of FY2018. Gross Profit and Operating Margins also improved in FY2019 compared to the prior financial year. However, the market was negatively impacted by unfavourable exchange rate movements over the financial year which dampened performance in US Dollar terms.

Downside risk to the Zambian Kwacha remains high in the short to medium term. Management have taken proactive steps to mitigate the risk through a carefully managed pricing strategy, delivering value meals to customers, sourcing inputs locally wherever possible and negotiating costs in local currency terms. The period closed with 25 counters operating in this market.

MAURITIUS, GHANA, NAMIBIA AND DRC

A focus on enhancing operating efficiencies and ensuring existing operations generate positive returns on investment has started to bear fruit in our regional business. All of our regional operations registered growth in operating profit and firming operating margins during the period under review with the exception of Mauritius where increased competition and stock cost control issues have brought margins under pressure.

The latter is being addressed through an aggressive in-country marketing campaign, product development and front-of-house revamps to revitalize the brand and counter competition and the migration of the warehouse onto a new stock control platform in order to improve margin controls.

Changes to the VAT Policy in Ghana enacted in August 2018 have impacted the business through an effective 5% increase in cost prices and import duties as well as putting pressure on consumer spend. The market also experienced exchange rate weakness during the period under review. As such, the Ghana operations' revenue in US Dollar terms fell 7% compared to prior year. However, loss in revenue has been countered by cost containment measures which resulted in an increase in operating profit in US Dollar terms.

We continue to operate our business in the DRC under a master franchise arrangement; the business is performing well, and operations have been expanded into Kinshasa through the opening of 4 new counters in the first half of FY2019. We have a good relationship with our franchisee and former partner in this market and remain confident of the DRC business' future prospects.

STRATEGIC FOCUS

As previously communicated to stakeholders, our key strategic objectives are to continue to grow the core QSR business in existing and new African markets, to develop and acquire other brands in the QSR and casual dining segment and to enhance our service offering through technology development.

Following the successful launch of our new Dial-a-Delivery mobile application in Zimbabwe and Kenya in FY2019, our focus in FY2020 will be to further develop and grow our delivery business in order to tap into a previously under-serviced online market and improve on

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For The Year Ended 30 June 2019

Simbisa Brands LIMITED

Chief Executive Officer's Report - continued

the convenience of our customers' ordering experience. This will be achieved through the roll out of our mobile application through the remainder of our markets and exploring opportunities to include third party delivery services.

We have adopted a proactive strategy to manage the specific economic challenges pertaining to the Zimbabwe QSR market. This involves putting in place robust measures to hedge against inflation and currency volatility and a pricing strategy to optimize revenue while maintaining margins. We will continue to grow the market through a controlled roll out of only 'grade A' sites that will optimize the allocation of limited foreign capital resources and maximise shareholder returns.

OUTLOOK

Challenges in the trading environment in Zimbabwe are expected to persist. Although the establishment of the interbank foreign exchange market in February 2019 has restored some stability to the monetary regime, foreign currency supply remains restrained resulting in delays in external payments, currency speculation and inflationary pricing at a premium over the official inter-bank rate. Constrained consumer spending habits and resultant downtrading activity will remain a challenge for the business in FY2020.

Despite the anticipated headwinds, we believe our people and products will be able to continuously deliver value to all of our stakeholders. Our brand portfolio spans a wide spectrum of consumer income levels and consistently delivers to our customers convenient, affordable and quality meals. Our people have the drive, experience and expertise needed to execute our strategy and successfully navigate the business through a challenging operating environment.

The biggest risk to our regional markets emanates from currency risk where volatility in exchange rates against the USD impacts customer spending patterns and operating margins. Upcoming elections in Mauritius are expected to be peaceful, with no major disruption to business activities expected over the election period. We are confident that the region's contribution to Group performance will continue to grow and unlock value for our shareholders.

B Dionisio
Chief Executive Officer
7 October 2019

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2019

	Year ended 30-Jun-19 Audited ZWL	Year ended 30-Jun-18 Audited ZWL
Revenue	**390,793,795**	**204,729,260**
Operating profit before depreciation, amortisation and impairment	**64,031,578**	**28,136,021**
Foreign exchange and other gains/(losses)	(2,745,850)	(65,061)
Depreciation, amortisation and impairment	(9,716,243)	(6,518,285)
Profit before interest and tax	**51,569,485**	**21,552,675**
Interest income	665,448	137,558
Interest expense	(2,400,772)	(1,575,376)
Profit before tax	**49,834,161**	**20,114,857**
Income tax expense	(17,426,382)	(6,275,194)
Profit for the period	**32,407,779**	**13,839,663**
Profit after tax for the year from discontinued operations	**-**	**(13,394)**
Profit for the year from continuing and discontinued operations	**32,407,779**	**13,826,269**
Other comprehensive income - to be recycled to profit or loss		
Exchange differences arising on the translation of foreign operations	37,507,987	174,818
Other comprehensive income for the period, net of tax	**37,507,987**	**174,818**
Total comprehensive income for the period	**69,915,766**	**14,001,087**
Profit for the period attributable to:		
Equity holders of the parent	32,138,552	14,174,175
Non-controlling interests	269,227	(347,906)
	32,407,779	**13,826,269**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	70,204,243	14,323,830
Non-controlling interests	(288,477)	(322,743)
	69,915,766	**14,001,087**
Earnings per share (cents)		
Basic earnings per share	5.77	2.55
Headline earnings per share	5.81	2.55
Diluted earnings per share	5.72	2.51
Diluted headline earnings per share	5.77	2.51

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

As At 30 June 2019

	Notes	30-Jun-19 Audited ZWL	30-Jun-18 Audited ZWL
ASSETS			
Non-current assets			
Property, plant and equipment		180,839,618	58,078,244
Non-current financial assets	6	14,989,844	5,109,709
Intangible assets		1,306,626	198,997
Deferred tax assets		2,708,188	1,084,027
		199,844,276	**64,470,977**
Current assets			
Current tax assets		18,097	-
Inventories		31,683,631	6,532,558
Trade and other receivables		30,765,322	6,666,300
Cash and cash equivalents		17,894,178	7,174,341
		80,361,228	**20,373,199**
Total assets		**280,205,504**	**84,844,176**
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium		18,178,323	17,339,703
Distributable reserves		45,286,075	22,845,529
Other reserves		36,206,354	(1,730,988)
		99,670,752	**38,454,244**
Non-controlling interests		(695,390)	(328,392)
Total equity		**98,975,362**	**38,125,852**
Non-current liabilities			
Deferred tax liabilities		2,502,721	3,546,752
Borrowings	7	12,309,570	10,778,951
		14,812,291	**14,325,703**
Current liabilities			
Borrowings	7	50,937,470	6,049,516
Trade and other payables		112,511,450	25,890,900
Current tax liabilities		2,968,931	452,205
		166,417,851	**32,392,621**
Total liabilities		**181,230,142**	**46,718,324**
Total equity and liabilities		**280,205,504**	**84,844,176**

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2019

	Attributable To Equity Holders Of The Parent					
	Share capital and share premium ZWL	Distributable Reserves ZWL	Other Reserves ZWL	Total ZWL	Non-Controlling Interests ZWL	Total ZWL
Balance at 1 July 2018	**17,339,703**	**22,845,529**	**(1,730,988)**	**38,454,244**	**(328,392)**	**38,125,852**
Profit for the period	-	32,138,552	-	32,138,552	269,227	32,407,779
Other comprehensive income for the period	-	-	38,065,691	38,065,691	(557,704)	37,507,987
Transactions with owners	-	(789,548)	-	(789,548)	537,477	(252,071)
Exercise of share options	838,620	-	(157,140)	681,480	-	681,480
Share based payments charge	-	-	603,398	603,398	-	603,398
Purchase of treasury shares	-	-	(574,607)	(574,607)	-	(574,607)
Dividends	-	(8,908,458)	-	(8,908,458)	(615,998)	(9,524,456)
Balance at 30 June 2019	**18,178,323**	**45,286,075**	**36,206,354**	**99,670,752**	**(695,390)**	**98,975,362**
Balance at 1 July 2017	**17,339,703**	**13,963,264**	**(2,240,394)**	**29,062,573**	**(106,221)**	**28,956,352**
Profit for the period	-	14,174,175	-	14,174,175	(347,906)	13,826,269
Other comprehensive income for the period	-	-	149,655	149,655	25,163	174,818
Share based payments charge	-	-	554,723	554,723	-	554,723
Transactions with owners	-	(1,505,772)	(194,972)	(1,700,744)	360,572	(1,340,172)
Dividends	-	(3,786,138)	-	(3,786,138)	(260,000)	(4,046,138)
Balance at 30 June 2018	**17,339,703**	**22,845,529**	**(1,730,988)**	**38,454,244**	**(328,392)**	**38,125,852**

ABRIDGED GROUP STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2019

	Year ended 30-Jun-19 Audited ZWL	Year ended 30-Jun-18 Audited ZWL
Cash generated from operations	**73,586,884**	**28,300,554**
Net interest paid	(1,556,944)	(1,437,818)
Tax paid	(14,524,731)	(6,449,161)
Net cash flow from operating activities	**57,505,209**	**20,413,575**
Investing activities	**(32,315,852)**	**(11,097,723)**
Net cash inflow before financing activities	**25,189,357**	**9,315,852**
Financing activities	**(14,677,060)**	**(5,535,351)**
Net increase in cash and cash equivalents	**10,512,297**	**3,780,501**
Foreign currency translation	**207,540**	**(20,611)**
Cash and cash equivalents at the beginning of the period	**7,174,341**	**3,414,451**
Cash and cash equivalents at the end of the period	**17,894,178**	**7,174,341**

NOTES TO THE AUDITED ABRIDGED CONSOLIDATED FINANCIAL RESULTS

For The Year Ended 30 June 2019

1 Auditor's statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 30 June 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 Foreign Exchange Rates". There were no key audit matters. The auditor's report on these financial statements is available for inspection at the Company's registered office.

2 General information

Simbisa Brands Limited (Simbisa or the Group) is a limited liability company incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange ("ZSE"). Simbisa Brands Limited, and its subsidiaries own and operate quick service restaurants (QSR) across Africa.

3 Accounting policies

The Group reports in terms of International Financial Reporting Standards (IFRS). The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year with no significant impact from the new and revised standards applicable for the period ended 30 June 2019.

The abridged consolidated financial results do not include all of the information and disclosures required to fully comply with IFRS and should be read in conjunction with the Group's annual financial statements as at 30 June 2019 which are available at the Company's registered office.

4 Determination of functional currency

On 22 February 2019, the government, through Statutory Instrument 32 (SI 32) of 2019, formally pronounced the RTGS dollar and bond notes as official currencies. In addition, Statutory Instrument 33 (SI 33) of 2019 was issued specifying that for accounting and other purposes, all assets and liabilities that were, immediately before the effective date, valued in US dollar (other than those specified in the RBZ Act) shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the US dollar.

Subsequent to that date, on 24 June 2019, Statutory Instrument 142 of 2019 'Reserve Bank of Zimbabwe (Legal tender) Regulations 2019' was issued prescribing the Zimbabwe dollar as the sole currency for legal tender in Zimbabwe. The Zimbabwe dollar was also prescribed as coterminous with the RTGS dollar.

As a result of the changes above, the Group concluded that, in line with IAS 21, The Effects of Foreign Exchange Rates, the functional currency for the parent company and its subsidiaries domiciled in Zimbabwe had changed to the Zimbabwe dollar. The Group adopted the Zimbabwe dollar as the functional currency and reporting currency effective 22 February 2019.

In compliance with SI 33 the Group translated its statement of financial position as at 22 February 2019 to Zimbabwe dollar at the fixed exchange rate of 1 US dollar to 1 Zimbabwe dollar,with the exception of foreign currency denominated assets and liabilities which have been translated at the interbank rate on the same date, resulting in foreign exchange differences being recorded in the Statement of Profit or Loss.

In translating the results of foreign operations and foreign currency transactions in Zimbabwe, the Group retained the official fixed exchange rate of 1:1 from the beginning of the financial year to 22 February 2019 and thereafter applied the interbank rate following establishment of the interbank foreign exchange rate by the Reserve Bank of Zimbabwe.

The Group has also restated the comparative financial information to Zimbabwe dollars at the official fixed exchange rate of 1:1.

Applying the prescribed fixed exchange rate did not comply with the requirements of IAS 21 and as a result, the External Auditors have issued an adverse audit opinion on the Group's financial statements in accordance with guidance issued by the Public Accountants and Auditors Board in Zimbabwe.

Audited Abridged Financial Results

For The Year Ended 30 June 2019

Simbisa Brands LIMITED

NOTES TO THE AUDITED ABRIDGED CONSOLIDATED FINANCIAL RESULTS
For The Year Ended 30 June 2019 - *(continued)*

5 Summarised segment information

Year ended 30 June 2019	Zimbabwe ZWL	Region ZWL	Net eliminations ZWL	Total ZWL
Revenue	255,061,495	135,924,655	(192,355)	390,793,795
Operating profit before depreciation and amortisation	53,046,694	10,984,884	-	64,031,578
Capital expenditure	18,387,081	12,552,777	-	30,939,858
Segment assets	104,673,521	184,078,682	(8,546,699)	280,205,504
Segment liabilities	48,886,504	137,095,539	(4,751,901)	181,230,142

Year ended 30 June 2018	Zimbabwe ZWL	Region ZWL	Net eliminations ZWL	Total ZWL
Revenue	142,336,984	62,392,276	-	204,729,260
Operating profit before depreciation and amortisation	23,600,980	4,535,936	(895)	28,136,021
Capital expenditure	5,448,766	1,706,093	-	7,154,859
Segment assets	61,295,097	28,076,634	(4,527,555)	84,844,176
Segment liabilities	26,691,363	20,759,873	(732,912)	46,718,324

6 Non-current financial assets

	Rate of Interest per annum	Year Repayable	30-Jun-19 Audited ZWL	30-Jun-18 Audited ZWL
Non-current financial assets held at amortised cost				
Long-term receivable (unsecured)	2%	2023	8,802,638	1,303,738
Medium term receivable (secured)	3%	2020	6,187,206	3,805,971
			14,989,844	**5,109,709**

7 Borrowings

Non-current borrowings

The Group's non-current borrowings are repayable from July 2019 to July 2021. The facilities are secured with a Corporate guarantee and bear interest at an average rate of 8.5%.

Current borrowings

Short-term borrowings form part of the Group's core borrowings and are renewed on maturity in terms of on-going facilities negotiated with the relevant financial institutions. The average interest rate for short-term borrowings is 7% per annum.

8 Future lease commitments

The Group has commitments arising from property leases for its restaurants and other business operations. The future expected rentals due are payable as follows:

	30-Jun-19 Audited ZWL	30-Jun-18 Audited ZWL
Payable within the next 12 months	48,520,274	10,348,903
Payable within 2 to 5 years	95,183,024	25,773,904
Payable after 5 years	32,207,043	7,557,241
	175,910,341	**43,680,048**

9 Commitments for capital expenditure

	30-Jun-19 Audited ZWL	30-Jun-18 Audited ZWL
Authorised by Directors and contracted	38,960,566	225,968
Authorised by Directors but not contracted	56,259,080	2,520,794
	95,219,646	**2,746,762**

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

10 Changes in interests in subsidiaries

Acquisition of additional interest in Zambia

On 1 July 2018, the Group acquired the remaining 49% non-controlling interest in Simbisa Brands Zambia Limited (the Group's operating entity in Zambia). Amounts receivable from the non-controlling interest was set off against the consideration of ZWL 252,071. At acquisition date, the carrying value of the net assets of Simbisa Brands Zambia Limited was ZWL (1,096,928).

NOTES TO THE AUDITED ABRIDGED CONSOLIDATED FINANCIAL RESULTS
For The Year Ended 30 June 2019 - *(continued)*

11 Earnings per share

	Year ended 30-Jun-19 Audited ZWL	Year ended 30-Jun-18 Audited ZWL
Basic and Diluted earnings		
Profit attributable to equity holders of the parent (basic and diluted earnings)	32,138,552	14,174,175
Number of shares in issue for Basic earnings per share		
Number of ordinary shares in issue at the end of the period	562 184 788	556 784 788
Weighted average number of ordinary shares in issue during the period	557 234 788	556 784 788
Number of shares in issue for Diluted earnings per share		
Weighted average number of ordinary shares in issue	557 234 788	556 784 788
Dilutive impact of employee share option scheme	4 205 530	8 475 655
Weighted average number of ordinary shares in issue for diluted earnings per share	561 440 318	565 260 443
Basic earnings per share (cents)	5.77	2.55
Diluted basic earnings per share (cents)	5.72	2.51
Reconciliation of basic earnings to headline earnings		
Profit for the year attributable to equity holders of the parent	32,138,552	14,174,175
Loss on disposal of property, plant and equipment	(24,950)	(23,370)
Impairment	333,081	39,597
Tax effect on adjustments	(43,537)	78
Headline earnings attributable to ordinary shareholders	**32,403,146**	**14,190,480**
Headline earnings per share (cents)	5.81	2.55
Diluted headline earnings per share (cents)	5.77	2.51

At 30 June 2019, 5,400,000 share options (2018: 5,400,000) arising from the 2016 Simbisa Brands Share Option Scheme were not dilutive.

The share options from the Group's indigenisation agreement and the Simbisa Brands Employee Share Trust Scheme were not dilutive as at the end of the current period.

12 Events after reporting date

12.1 Changes in Interest in subsidiaries

Subsequent to year end the Board of Directors approved, subject to agreement of terms and conditions to sell a 49 % interest in Simbisa Brands Namibia Limited to a local partner effective 1 July 2019. This will result in Simbisa's interest reducing from 100% to 51%. The Group retains control of Simbisa Brands Namibia Limited.

The Board also approved, subject to agreement of terms and conditions, the acquisition of the remaining 12.5% non-controlling interest in Simbisa Brands Mauritius Limited effective 1 July 2019.

12.2 Hyperinflation

Subsequent to the reporting date, inflation statistics (based on the Consumer Price Index statistics as published by the Reserve Bank of Zimbabwe) have continued to exhibit an upward trend. As a result, this has triggered considerations over the applicability of IAS 29 – Hyperinflation ("IAS 29") to the financial results of the Group.

IAS 29 considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following:
(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
(d) interest rates, wages and prices are linked to a price index;
(e) the cumulative inflation rate over three years is approaching, or exceeds 100%

An assessment of the above matters requires the application of judgment by management and conclusive evidence on the quantitative and qualitative characteristics, above, may be difficult to obtain during these subsequent reporting periods.

Management will continue to evaluate these characteristics, including any communication from relevant regulators. Should the conclusion be reached that IAS 29 is applicable to the Group, the financial information presented at subsequent reporting dates may be subject to significant restatement. An estimate of the potential financial impact cannot be made at this stage as this is reliant on the determination of an appropriate index at such reporting dates.