ARISTON
HOLDINGS LIMITED

Registered Office: 306 Hillside Road, Msasa Woodlands, P.O. Box 4019, Harare

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

ABRIDGED GROUP FINANCIAL HIGHLIGHTS

	INFLATION ADJUSTED	
All figures in ZWL	Year ended 30 Sept 2019	Year-on-year change
REVENUE	101.8 million	▲ 59%
EBITDA (excluding fair value adjustments)	58.1 million	▲ 131%
PROFIT BEFORE TAXATION	91.2 million	▲ 449%
BASIC EARNINGS PER SHARE	0.034	▲ 324%
HEADLINE EARNINGS PER SHARE	0.034	▲ 324%

CHAIRMAN'S STATEMENT

INTRODUCTION

The year under review was characterised by macro challenges which include inflationary pressure on local costs, electricity supply constraints and a depreciating local currency. Key policy announcements were also made during the year which include the abolishment of the multi-currency system leaving the Zimbabwe dollar (ZWL) as the sole trading currency for all local trading except for specified services where settlement in foreign currency is permissible. As a predominantly foreign currency generator, the Group has been able to weather the adverse effects of the prevailing economic environment and still remains profitable in real terms.

During the 2019 agricultural season, the Group received sufficient rainfall for its farming activities. In March 2019, the Group's operations on the estates located in Chimanimani and Chipinge were affected by tropical cyclone Idai. The extent of damage on the estates varied substantially, with the greatest effects being experienced in Chimanimani. There was no loss of life however damage was incurred on infrastructure and to a lesser extent, orchards. The total cost of rehabilitation was estimated at US$1.5 million and to date the Group has completed approximately 80% of the rehabilitation works with all housing, roads and bridges having been restored while works on dams and irrigation equipment are ongoing.

FINANCIAL RESULTS

Inflation-adjusted revenue for the Group was up 59% from ZWL64.0 million in prior year to ZWL101.8 million in current year while historical cost revenue was up 241% to ZWL48.1 million from ZWL14.1 million in prior year. Growth in historical cost revenue is attributable to depreciation in value of the local currency against major currencies and the resultant incremental effect on conversion of foreign currency denominated revenues to local currency. Inflation-adjusted revenue was positively up on the inflation-adjusted prior year comparative as prescribed changes to financial reporting in local currency necessitated by the onset of hyperinflation took effect as of year end.

Inflation-adjusted operating expenses at ZWL18.9 million (2018: ZWL18.5 million) were marginally up on the inflation-adjusted prior year comparative while historical cost operating expenses at ZWL5.9 million (2018: ZWL4.1million) grew by 44% from prior year and trailed the year-on-year growth in historical cost revenue.

The Group ended the year with a profit after tax of ZWL55.0 million on an inflation adjusted basis, which was 326% ahead of the inflation-adjusted prior year comparative of ZWL12.9 million. The growth in profit after tax reflects net gains arising on restatement and adjustment of the Group's financial information for both current and prior year, in order to bring it to the measuring unit current at 30 September 2019.

The Group continued to restructure its borrowings. Improvement in financial performance led to movement in the Group's gearing ratio from 94% at 30 September 2018 to 31% at the end of the current year on an inflation adjusted basis while the historical cost basis gearing ratio changed to 118% up from the 94% in prior year.

VOLUMES AND OPERATIONS

Tea

Production volume at 2,985 tonnes was 9% down on prior year. Average selling prices obtained in historical cost terms increased to ZWL4.8 per kilogram from ZWL3.2 per kilogram in prior year driven by the effect of the depreciating currency on foreign currency denominated prices while in real terms foreign prices declined marginally from prior year. Overall demand for tea remained firm during the year.

Macadamia

Production volume at 1,301 tonnes was 4% down from prior year. Average selling price obtained in historical cost terms improved by 253% to ZWL13.4 per kilogram from ZWL3.8 per kilogram in prior year. The prices are largely driven by the effect of depreciating currency on foreign currency denominated prices coupled with marginal increases in United States Dollar (US$) prices obtained due to improvement in the quality specification of current year crop. International macadamia prices and demand remained firm.

Fruit

Overall revenue for the fruit category comprising of pome fruit, stone fruit, avocado and banana increased by 440% from prior year. Production volumes of stone fruit and pome fruit continue to improve, while avocado volume doubled from the prior year level and banana volumes were marginally below prior year. Quality was within expectation across all product ranges. Pricing for avocado which is an export crop remained unchanged in US$ terms while the rest of the fruit category registered price improvements to varying extents owing to price adjustments effected to counter inflation however these still lagged behind import parity, consequently, avocado being an export crop contributed 41% to overall fruit revenue which was significantly up from the 4% contribution in prior year.

Business unit performance

Southdown Estates (comprising of Southdown, Clearwater, Roscommon and Blended Tea Factory) continued to be the Group's dominant contributor to both revenue and profitability. Improvements in overall productivity was experienced at Kent Estate and Claremont Estate however these two estates' contribution to overall Group performance remains subdued due to Southdown Estates' significant export revenue contribution.

OUTLOOK

The Group's financial position continues to improve. The 2020 agricultural season has generally started on a low note with below normal rains being experienced in the country for the period up to December 2019. The Group relies on its installed irrigation capacity in order to meet its water requirements for farming operations however the electricity outages being experienced locally continue to hamper irrigation programmes. Fortunately, due to the conducive micro-climate in the Chimanimani and Chipinge areas the orchards are in good shape and yields are expected to exceed those achieved in 2019.

The Group continues to be export-oriented with plans in place to increase export revenue generation by channelling more produce into export markets for 2020 and this will ensure sustained growth in the Group's operations.

The Group will continue to invest in new and improved equipment and technology while embracing the latest agricultural techniques in order to increase capacity and improve efficiencies. The Group continues to focus on product quality and maintaining international accreditation. The Group is now well positioned to grow its earnings over the foreseeable future.

DIVIDEND

In view of the Group's need to generate and preserve available cash resources in order to invest in replacement and expansion capital expenditure, the directors have found it prudent not to declare a dividend.

DIRECTORATE

There were no changes to the Group's directorate in the year under review.

APPRECIATION

I wish to extend my appreciation to all our customers, suppliers, staff, shareholders and strategic partners and my fellow board members for their unwavering support for the business.

ALEXANDER CRISPEN JONGWE
CHAIRMAN

29 February 2020

ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Inflation Adjusted		Historical Cost	
All figures in ZWL	Note	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018
Revenue	8	**101,848,986**	**64,009,643**	**48,126,876**	**14,130,164**
Cost of production		(39,720,063)	(41,071,644)	(18,223,369)	(9,066,588)
Gross profit		62,128,923	22,937,999	29,903,507	5,063,576
Other operating income		5,396,551	12,670,193	1,488,658	2,796,952
Operating expenses		(18,916,028)	(18,534,690)	(5,918,699)	(4,091,543)
Profit from operations		**48,609,446**	**17,073,502**	**25,473,466**	**3,768,985**
Fair value adjustments		45,362,915	4,109,888	64,202,507	907,260
Exchange differences		(40,363,251)	-	(40,363,251)	-
Monetary gain		40,720,724	-	-	-
Share of profit of a joint venture		1,655,132	306,364	671,453	67,630
Profit before interest and taxation		**95,984,966**	**21,489,754**	**49,984,175**	**4,743,875**
Finance costs		(4,831,860)	(4,899,036)	(3,334,979)	(1,081,465)
Profit before taxation		**91,153,106**	**16,590,718**	**46,649,196**	**3,662,410**
Income tax expense	3	(36,154,440)	(3,661,558)	(22,128,320)	(808,291)
Profit for the year		**54,998,666**	**12,929,160**	**24,520,876**	**2,854,119**
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income for the year		**54,998,666**	**12,929,160**	**24,520,876**	**2,854,119**
Number of shares in issue		**1,627,395,595**	**1,627,395,595**	**1,627,395,595**	**1,627,395,595**
Weighted average number of shares in issue		**1,627,395,595**	**1,622,445,595**	**1,627,395,595**	**1,622,445,595**
Earnings per share (ZWL dollars)					
Basic earnings per share		0.034	0.0080	0.015	0.0018
Diluted earnings per share		0.034	0.0080	0.015	0.0018
Headline earnings per share		0.034	0.0080	0.015	0.0018

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

		Inflation Adjusted		Historical Cost	
All figures in ZWL	Note	Audited As at 30 Sept 2019	Audited As at 30 Sept 2018	Audited As at 30 Sept 2019	Audited As at 30 Sept 2018
ASSETS					
Non - current assets					
Property, plant and equipment		154,615,813	149,509,823	38,457,898	33,004,376
Biological assets		2,842,381	1,243,399	2,842,381	274,481
Investment in joint venture		1,961,496	306,364	739,083	67,630
Deferred tax		-	19,030,036	-	4,200,891
		159,419,690	**170,089,622**	**42,039,362**	**37,547,378**
Current assets					
Biological assets		66,697,122	22,933,193	66,697,122	5,062,515
Inventories		10,406,695	8,700,191	6,084,110	1,920,572
Trade and other receivables		28,310,327	7,934,313	25,750,563	1,751,504
Cash and cash equivalents		4,598,256	423,383	4,598,256	93,462
		110,012,400	**39,991,080**	**103,130,051**	**8,828,053**
TOTAL ASSETS		**269,432,090**	**210,080,702**	**145,169,413**	**46,375,431**
EQUITY					
Share capital and reserves					
Share capital		7,372,099	7,372,099	1,627,395	1,627,395
Share premium		49,477,983	49,477,983	10,922,292	10,922,292
Distributable reserves		75,254,964	20,363,043	28,992,465	4,495,153
		132,105,046	**77,213,125**	**41,542,152**	**17,044,840**
LIABILITIES					
Non-current liabilities					
Borrowings	7	43,030,837	61,808,271	43,030,837	13,644,210
Deferred tax		55,943,786	39,492,884	25,684,234	8,718,076
Finance lease liabilities		653,809	721,063	653,809	159,175
		99,628,432	**102,022,218**	**69,368,880**	**22,521,461**
Current liabilities					
Trade and other payables	6	33,566,850	20,192,035	30,126,619	4,457,403
Borrowings	7	3,779,711	9,684,461	3,779,711	2,137,850
Finance lease liabilities		352,051	968,863	352,051	213,877
		37,698,612	**30,845,359**	**34,258,381**	**6,809,130**
TOTAL EQUITY AND LIABILITIES		**269,432,090**	**210,080,702**	**145,169,413**	**46,375,431**

ABRIDGED GROUP STATEMENT OF CASHFLOWS

	Inflation Adjusted		Historical Cost	
All figures in ZWL	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018
Cash flows from operating activities				
Profit before interest and taxation	95,984,966	21,489,754	49,984,175	4,743,875
Monetary gain	(40,720,724)	-	-	-
Non-cash items	(5,272,364)	3,093,442	(28,308,323)	682,879
Cashflows from operations	49,991,878	24,583,196	21,675,852	5,426,754
Finance costs paid	(4,831,860)	(4,899,036)	(3,334,979)	(1,081,465)
Changes in working capital	(8,707,703)	(17,128,895)	(2,493,381)	(3,781,213)
Cash generated from operating activities	**36,452,315**	**2,555,265**	**15,847,492**	**564,076**
Cash flows from investing activities				
Cash utilised in investing activities	(12,922,422)	(7,276,809)	(7,524,021)	(1,606,360)
Cash utilised in investing activities	**(12,922,422)**	**(7,276,809)**	**(7,524,021)**	**(1,606,360)**
Cash flows from financing activities				
Cash (utilised in)/generated from financing activities	(19,355,020)	4,384,511	(3,818,677)	967,883
Cash (utilised in)/generated from financing activities	**(19,355,020)**	**4,384,511**	**(3,818,677)**	**967,883**
Net cash inflow/(outflow)	**4,174,873**	**(337,033)**	**4,504,794**	**(74,401)**
Cash and cash equivalents at beginning of the year	423,383	760,416	93,462	167,863
Cash and cash equivalents at end of the year	**4,598,256**	**423,383**	**4,598,256**	**93,462**

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

INFLATION ADJUSTED

All figures in ZWL	Share capital	Share premium	Share-based payment reserve	Distributable reserves	Total
Balance at 30 September 2017	**7,342,201**	**49,089,309**	**4,258**	**7,429,625**	**63,865,393**
Share issue	29,898	388,674	-	-	418,572
Transfer to distributable reserves on share options expired	-	-	(4,258)	4,258	-
Total comprehensive income for the year	-	-	-	12,929,160	12,929,160
Balance at 30 September 2018	**7,372,099**	**49,477,983**	**-**	**20,363,043**	**77,213,125**
IFRS 9 adoption	-	-	-	(106,745)	(106,745)
Total comprehensive income for the year	-	-	-	54,998,666	54,998,666
Balance at 30 September 2019	**7,372,099**	**49,477,983**	**-**	**75,254,964**	**132,105,046**

HISTORICAL COST

All figures in ZWL	Share capital	Share premium	Share-based payment reserve	Distributable reserves	Total
Balance at 30 September 2017	**1,620,795**	**10,836,492**	**940**	**1,640,094**	**14,098,321**
Share issue	6,600	85,800	-	-	92,400
Transfer to distributable reserves on share options expired	-	-	(940)	940	-
Total comprehensive income for the year	-	-	-	2,854,119	2,854,119
Balance at 30 September 2018	**1,627,395**	**10,922,292**	**-**	**4,495,153**	**17,044,840**
IFRS 9 adoption	-	-	-	(23,564)	(23,564)
Total comprehensive income for the year	-	-	-	24,520,876	24,520,876
Balance at 30 September 2019	**1,627,395**	**10,922,292**	**-**	**28,992,465**	**41,542,152**

SUPPLEMENTARY INFORMATION

	Inflation Adjusted		Historical Cost	
All figures in ZWL	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018
1. Depreciation				
Depreciation of property, plant and equipment excluding bearer plants	3,885,703	4,602,203	1,207,364	1,015,939
Depreciation of bearer plants	2,946,459	2,913,904	650,432	643,246
	6,832,162	**7,516,107**	**1,857,796**	**1,659,185**
2. Impairment				
Impairment loss recognised	996,949	265,730	220,077	58,660
	996,949	**265,730**	**220,077**	**58,660**

The impairment loss recognised in the current year relates to the Kent Estate operations. The impairment loss was determined on moveable equipment classified under the plant and equipment category whose recoverable amount was determined to be below the carrying amount. The recoverable amount was determined on the basis of value in use at year end.

The impairment loss recognised was included in the operating expenses line of the Abridged Group Statement of Profit or Loss and Other Comprehensive Income.

	Inflation Adjusted		Historical Cost	
All figures in ZWL	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018	Audited Year ended 30 Sept 2019	Audited Year ended 30 Sept 2018
3. Income tax expense				
Current tax expense	961,271	-	961,271	-
Deferred tax expense	35,193,169	3,661,558	21,167,049	808,291
	36,154,440	**3,661,558**	**22,128,320**	**808,291**
4. Capital expenditure for the year				
Purchase of property plant and equipment excluding bearer plants	11,764,111	6,611,487	7,055,113	1,459,490
Capital expenditure incurred on bearer plants	1,177,672	1,140,061	477,757	251,669
	12,941,783	**7,751,548**	**7,532,870**	**1,711,159**
5. Commitments for capital expenditure				
Authorised by directors but not contracted	20,658,308	7,731,125	20,658,308	1,706,650
	20,658,308	**7,731,125**	**20,658,308**	**1,706,650**

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

SUPPLEMENTARY INFORMATION (CONTINUED)

	Inflation Adjusted		Historical Cost	
All figures in ZWL	Audited As at 30 Sept 2019	Audited As at 30 Sept 2018	Audited As at 30 Sept 2019	Audited As at 30 Sept 2018
6. Trade and other payables				
Trade payables	5,121,355	5,832,919	5,121,355	1,287,620
Other payables	28,445,495	14,359,116	23,785,187	3,169,783
	33,566,850	**20,192,035**	**28,906,542**	**4,457,403**
7. Borrowings				
Long-term	43,030,837	61,808,271	43,030,837	13,644,210
Short-term	3,779,711	9,684,461	3,779,711	2,137,850
	46,810,548	**71,492,732**	**46,810,548**	**15,782,060**

The weighted average effective interest rate on borrowings is 7% per annum (2018: 8% per annum). Borrowings are secured by property, plant and equipment, inventories and trade and other receivables of the Group.

8. Reportable segments

INFLATION ADJUSTED

All figures in ZWL	Southdown Estates	Claremont Estate	Kent Estate	Corporate Office	Adjustments & Eliminations	Total
30 September 2019						
Segment revenue	81,474,001	10,912,556	9,462,429	-	-	**101,848,986**
Segment EBITDA (excluding fair value adjustments)	45,299,899	2,286,954	4,554,892	5,951,944	-	**58,093,689**
Segment depreciation and impairment	(4,142,485)	(2,074,036)	(549,648)	(65,993)	-	**(6,832,162)**
Segment assets (excluding intersegment assets)	183,895,908	40,978,461	16,775,904	27,781,817	-	**269,432,090**
Segment liabilities (excluding intersegment liabilities)	(26,868,939)	(1,645,834)	(1,278,915)	(51,589,570)	(55,943,786)	**(137,327,044)**
Net intersegment assets/(liabilities)	23,319,013	(11,659,344)	(9,437,822)	(2,221,847)	-	**-**
30 September 2018						
Segment revenue	51,291,781	6,549,986	6,167,876	-	-	**64,009,643**
Segment EBITDA (excluding fair value adjustments)	24,443,211	(93,355)	2,661,651	539,832	-	**27,551,339**
Segment depreciation and impairment	(4,064,280)	(1,142,511)	(631,613)	(1,677,703)	-	**(7,516,107)**
Segment assets (excluding intersegment assets)	120,025,652	30,107,503	11,354,431	29,563,079	19,030,037	**210,080,702**
Segment liabilities (excluding intersegment liabilities)	(6,380,519)	(1,524,295)	(3,378,148)	(82,091,731)	(39,492,884)	**(132,867,577)**
Net intersegment assets/(liabilities)	(1,901,585)	(41,867,338)	(33,955,480)	77,724,403	-	**-**

HISTORICAL COST

All figures in ZWL	Southdown Estates	Claremont Estate	Kent Estate	Corporate Office	Adjustments & Eliminations	Total
30 September 2019						
Segment revenue	36,311,318	5,122,118	6,693,440	-	-	**48,126,876**
Segment EBITDA (excluding fair value adjustments)	24,443,211	(93,355)	2,661,651	1,211,285	-	**28,222,292**
Segment depreciation and impairment	(984,726)	(310,124)	(175,941)	(387,005)	-	**(1,857,796)**
Segment assets (excluding intersegment assets)	94,703,445	22,957,667	8,252,702	19,255,599	-	**145,169,413**
Segment liabilities (excluding intersegment liabilities)	(26,868,939)	(1,645,834)	(1,278,915)	(48,149,339)	(25,684,234)	**(103,627,261)**
Net intersegment assets/(liabilities)	23,319,013	(11,659,344)	(9,437,822)	(2,221,847)	-	**-**
30 September 2018						
Segment revenue	11,322,689	1,445,913	1,361,562	-	-	**14,130,164**
Segment EBITDA (excluding fair value adjustments)	3,982,058	(68,358)	(118,669)	1,759,429	-	**5,554,460**
Segment depreciation and impairment	(897,192)	(252,210)	(139,429)	(370,354)	-	**(1,659,185)**
Segment assets (excluding intersegment assets)	26,495,729	6,646,248	2,506,497	6,526,066	4,200,891	**46,375,431**
Segment liabilities (excluding intersegment liabilities)	(1,408,503)	(336,489)	(745,728)	(18,121,795)	(8,718,076)	**(29,330,591)**
Net intersegment assets/(liabilities)	(419,776)	(9,242,238)	(7,495,691)	17,157,705	-	**-**

9. Functional and presentation currency

The Group's consolidated financial statements which are summarised by these Group financial results are presented in Zimbabwe Dollars (ZWL) which is the functional and presentation currency of the Group as this is the currency of the primary economic environment in which the Group operates.

The Group operated in a multi-currency environment which included foreign currencies, mainly the United States Dollars (US$) and quasi-currency instruments in the form of electronic balances and bond notes which, during the reporting period, were officially pegged to the US$ at an official exchange rate of 1:1. Multi-tier pricing in the market depending on the mode of payment (US$, bond note, mobile money or RTGS$) and persistent shortages of foreign currency resulting in delays in settling foreign obligations at the official exchange rate, particularly subsequent to monetary policy changes in October 2018, triggered deliberations on whether the US$ remained the functional currency for companies operating in Zimbabwe.

Given the environment that the Group is currently operating in, the directors have assessed in terms of IAS 21, if there has been a change in the functional currency used by the Group during the year. In their assessment the Directors included considerations of whether the various modes of settlement may represent different forms of currency. The following was considered:

- On the 1st of October 2018 the Reserve Bank of Zimbabwe (RBZ) through Exchange Control Directive RT120/2018, directed all banks to ring-fence Nostro foreign currency accounts (FCAs) by separating them into two categories, namely Real Time Gross Settlement (RTGS) FCAs for local RTGS transactions and Nostro FCAs for foreign currency transactions.
- In the 2019 National Budget presented by the Finance Minister in November 2018, the Government announced the requirement to pay duty in foreign currency for specified goods and services as well as payment of local taxes in foreign currency for all foreign currency transactions.
- On the 22nd of February 2019 statutory instrument 33 of 2019 (SI 33) was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency named the RTGS Dollar/ZWL. Another Exchange Control Directive RU 28 of 2019 was issued at the same time which introduced an interbank market for trading US$ as well as other currencies in the multi-currency regime.
- On June 24 2019 the Government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that all transactions be made in local currency (RTGS Dollar/ZWL)

As a result of these currency changes announced by the monetary authorities, the directors assessed as required by IAS 21 and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB), whether use of the US$ as functional currency remained appropriate. Based on the assessment, the Directors concluded that the Group's functional currency became ZWL with effect from 1 October 2018.

All transactions in currencies other than the ZWL post the date of change in functional currency were translated in accordance with IAS 21 at the applicable official interbank rate. The Group translated the statement of financial position at 1 October at a rate of US$1 to ZWL 1.

The Group complied with SI 33 in the preparation of historical cost financial statements in that all foreign currency transactions during the period between 1 October 2018 and 22 February 2019 were translated to ZWL at the mandated exchange of ZWL1:US$1. In the preparation of inflation-adjusted financial statements, the foreign currency transactions during the period 1 October 2018 and 22 February 2019 were translated to ZWL at a deemed foreign exchange rate of ZWL2.50 : US$1 before applying the IAS 29 adjustment factors to the financial information for the Group.

10. Statement of compliance on the inflation adjusted financial statements

The Group's consolidated financial statements which are summarised by these Group financial results have been prepared in compliance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as the Standing Interpretations Committee (SIC), the requirements of the Companies Act (Chapter 24:03), the Zimbabwe Stock Exchange rules and the relevant Statutory Instruments.

The Group financial results do not include all the information and disclosures required to fully comply with IFRS and should be read in conjunction with the Group's consolidated financial statements which are available for inspection at the Company's registered office.

11. Basis of preparation

The Group's consolidated financial statements which are summarised by these Group financial results have been prepared based on statutory records which are maintained on a historical cost basis except for certain biological assets and financial instruments that are measured at fair value, and have been adjusted to fully comply with IFRS; these adjustments include restatements of financial information to reflect the effects of the application of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" as more fully described on Note 12 below.

12. IAS 29 Financial Reporting in Hyperinflationary Economies

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

The financial statements prepared on the historical cost basis have been adjusted to fully comply with IAS 29 which requires that financial statements be prepared and presented in terms of the measuring unit current at the reporting date by restating both current and comparative financial information. The restatements to cater for the changes in the General Purchasing Power of the Zimbabwean Dollar (ZWL) are based on indices and conversion factors derived from the Consumer Price Index (CPI) compiled by the Central Statistical Office, which are shown below:

Period	Indices	Conversion Factor
CPI as at September 2019	290.34	1.00
CPI as at September 2018	64.06	4.53
Average CPI 2019	161.70	
Average CPI 2018	63.60	

13. Accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements as at 30 September 2018 have been consistently applied in these Group financial results, except for the effects of adoption of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers, whose effective date was 1 January 2018.

14. Contingent liabilities

There were no contingent liabilities at reporting date.

15. Going concern

The directors have assessed the ability of the Group to continue operating as a going concern by reviewing the prospects of the Group. These assessments considered the Group's financial performance for the year ended 30 September 2019, the financial position as at 30 September 2019 and the current and medium term forecasts for the Group. Based on this background, the directors have every reason to believe that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, these financial results were prepared on a going concern basis.

16. Audit opinion

These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2019, which have been audited by Deloitte & Touche Chartered Accountants (Zimbabwe), in accordance with International Standards on Auditing. The auditors have issued an unqualified audit opinion on the Group's inflation adusted consolidated financial statements. The Auditors have included a section on key audit matters. The key audit matter was with respect to the valuation of biological assets. The auditor's report on the Group inflation adjusted consolidated financial statements which form the basis of these financial results is available for inspection at the Company's registered office.

17. Events after reporting date

The Finance Minister in his budget speech on the 14th of November 2019 proposed a reduction in the corporate tax rate from 25% to 24%. This will reduce the effective corporate tax rate from 25.75% to 24.72% for future tax periods. This is a non-adjusting event. The potential impact on financial statements for future financial periods is a reduction in the tax rate used in determining deferred and current tax balances.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ariston Holdings Limited

Report on the audit of the Inflation Adjusted Consolidated and Separate Financial Statements

Opinion

We have audited the inflation adjusted consolidated and separate financial statements of Ariston Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 18 to 70, which comprise the inflation adjusted statements of financial position as at 30 September 2019, the inflation adjusted statements of profit or loss and other comprehensive income, the inflation adjusted statements of changes in equity and the inflation adjusted statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the inflation adjusted consolidated and separate financial statements present fairly, in all material respects, the inflation adjusted consolidated and separate financial positions of the Group and the Company as at 30 September 2019 and the inflation adjusted consolidated and separate financial performance and the inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act (Chapter 24:03).

Basis for Opinion

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 Inflation Adjusted Consolidated and Separate 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) together with the ethical requirements that are relevant to our audit of the inflation adjusted financial statements in Zimbabwe. 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the inflation adjusted financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters below relate to the audit of the inflation adjusted Group financial statements.

Key Audit Matter	How the matter was addressed in the audit
Biological assets valuation	
Livestock, poultry, timber plantations and biological produce are classified as biological assets and are accounted for in accordance with International Accounting Standard (IAS) 41 *Agriculture.* There are a number of key estimates, assumptions and data inputs used by the Directors in determining fair value. The assumptions and inputs include: • For livestock, poultry and timber, determination of market prices for fair valuation; • For produce growing on bearer plants, determination of maturity profile of the produce on the plant at the reporting date; • Expected yields; and • Average selling prices less costs to sell for produce growing on the bearer plants at period end. Due to the estimates and assumptions involved in the determination of the fair value of biological assets, this area has been considered a key audit matter. Disclosures relating to the biological assets and biological produce are included in note 3.6, note 4.1 and note 11 to the financial statements.	In addressing the matter, our procedures included the following: • Obtaining an understanding and testing the design and implementation of relevant controls; • Evaluating the Directors' methodology applied in the valuation of biological assets and biological produce; • Assessing the consistency and challenging the reasonableness of assumptions used in the Directors' valuation model to determine the value of biological assets. These assumptions were assessed as follows: - For livestock, poultry and timber, values were compared to the market prices at the reporting date; - For produce on bearer plants, the maturity profiles were assessed against historical data. • Testing a selection of key data inputs underpinning the carrying value of biological assets including estimated yields and selling prices, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof; • Assessing the reliability of the Directors' estimated yields through a comparison of actual results in the current year against forecasts made in the current year; and • Evaluating the financial statement disclosures for appropriateness and adequacy. We found the valuation of biological assets to be appropriate.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ariston Holdings Limited (continued)

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, Group Operational Overview, Report of the Directors, Corporate Governance report, Historic Cost consolidated and separate financial statements and related notes, and other explanatory information (excluding audited amounts and schedules); which we obtained prior to the date of this auditor's report as required by the Companies Act (Chapter 24:03). The other information does not include the inflation adjusted financial statements and our auditor's report thereon.

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

In connection with our audit of the inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Inflation Adjusted Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the inflation adjusted 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 the inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted 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 Inflation Adjusted Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 financial statements.

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

- Identify and assess the risks of material misstatement of the inflation adjusted 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.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ariston Holdings Limited (continued)

- 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 inflation adjusted 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 inflation adjusted financial statements, including disclosures, and whether the inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the inflation adjusted financial information of the entities or business activities within the Group to express an opinion on the inflation adjusted 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

We also provide the Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the inflation adjusted 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 disclosures 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.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Stelios Michael
Partner
(PAAB Practice Certificate Number 0443)

29 February 2020