# 2019 ANNUAL REPORT

# ARISTON
HOLDINGS LIMITED

# CONTENTS

# Corporate Structure

ARISTON HOLDINGS LIMITED

**100%**
ARISTON MANAGEMENT SERVICES (PRIVATE) LIMITED

**100%**
CLAREMONT ORCHARDS HOLDINGS (PRIVATE) LIMITED

Property owning company.

**100%**
SOUTHDOWN HOLDINGS (PRIVATE) LIMITED

Property owning company.

**100%**
CLAREMONT ORCHARDS 1988 (PRIVATE) LIMITED

Property owning company.

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**100%**
CLAREMONT ESTATE

A division of Ariston Management Services (Private) Limited

Situated in the Nyanga area with a unique micro climate for horticultural production, Claremont Estate is one of country's major producers of pome and stone fruit.

**100%**
SOUTHDOWN ESTATE

A division of Ariston Management Services (Private) Limited

Comprises three tea estates in the picturesque Chipinge and Chimanimani areas of Zimbabwe with 1,200 hectares of tea, 450 hectares of macadamia nuts, 60 hectares of bananas, and 12 hectares of avocados. This business unit is also involved in the packaging of tea for the domestic market. Infrastructural development includes tea factories schools, clinics and workers' housing.

**100%**
Kent ESTATE

A division of Ariston Management Services (Private) Limited

Situated in Norton with 5 hectares of greenhouse vegetables. The estate has capacity to produce over one million broilers a year and has beef cattle, irrigated crops and dry land crops.

**55%**
**CLAREMONT POWER STATION**

Joint Venture venture with Goldsaif (Private) Limited

A joint venture between Ariston Management Services (Private) Limited and Goldsaif (Private) Limited engaged in electricity generation at the micro-hydro electricity generation facility located at Claremont Estate.

# Financial Highlights

For the year ended 30 September 2019

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **GROUP SUMMARY (ZWL)** | | | | |
| Revenue | 101,848,986 | 64,009,643 | 48,126,876 | 14,130,164 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding fair value adjustments | 59,046,168 | 25,161,703 | 28,222,792 | 5,554,460 |
| 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 |
| Profit attributable to shareholders | 54,998,666 | 12,929,160 | 24,520,876 | 2,854,119 |
| Cash generated from operating activities | 37,891,481 | 2,555,265 | 15,847,504 | 564,076 |
| Capital expenditure | (13,894,262) | (7,751,548) | (7,532,870) | (1,711,159) |
| Cash resources net of short-term borrowings and short-term finance lease obligations (deficit) | 466,494 | (10,229,941) | 466,494 | (2,258,265) |
| Total assets employed | 269,432,090 | 210,080,702 | 145,169,413 | 46,375,431 |
| **ORDINARY SHARE PERFORMANCE** | | | | |
| Number of ordinary 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 |
| Basic earnings per ordinary share (ZWL dollars) | 0.034 | 0.0080 | 0.015 | 0.0018 |
| Ordinary shareholders' equity per ordinary share (ZWL dollars) | 0.081 | 0.048 | 0.026 | 0.011 |
| Market price per ordinary share at year end (ZWL dollars) | 0.19 | 0.016 | 0.19 | 0.016 |
| Industrial Index - 30 September | 232.78 | 386.97 | 232.78 | 386.97 |
| **FINANCIAL STATISTICS** | | | | |
| Interest cover (times) | 19.87 | 4.39 | 14.99 | 4.39 |
| Ordinary shareholders' equity to total assets (%) | 49.03 | 36.75 | 28.62 | 36.75 |
| Return on shareholders equity (%) | 41.63 | 16.74 | 59.03 | 16.74 |

# Directorate and Administration

**DIRECTORS**

**Non-Executive**

| | |
|---|---|
| A.C. Jongwe | Chairman |
| I. Chagonda | |
| C.P. Conradie | |
| Dr. A.J. Masuka | |
| T.C. Mazingi | |
| J.W. Riekert | |

**Executive**

| | |
|---|---|
| P.T. Spear | Group Chief Executive Officer |

**BOARD COMMITTEES**

**Audit and Risk Committee**

| | |
|---|---|
| I. Chagonda | Chairman |
| C.P. Conradie | |
| A.C. Jongwe | |
| J. W. Riekert | |

**Human Resources and Remuneration Committee**

| | |
|---|---|
| C.P. Conradie | Chairman |
| A.C. Jongwe | |
| T.C. Mazingi | |
| P.T. Spear | |

**Operations/Technical Committee**

| | |
|---|---|
| Dr. A.J. Masuka | Chairman |
| C.P. Conradie | |
| P.T. Spear | |

**SENIOR MANAGEMENT**

**Head Office**

| | |
|---|---|
| P.T. Spear | Group Chief Executive Officer |
| R.A. Chinamo | Group Finance Director |
| B.T. Kagondo | Group Human Resources Executive |

**Operations**

| | | |
|---|---|---|
| E. Chafewa | Safety, Health and Environment Manager | Southdown Estates |
| W. Chibonda | Estate Manager | Roscommon Estate |
| S. Dhliwayo | Estate Manager (Acting) | Clearwater Estate |
| E. Makandwa | Estate Manager | Claremont Estate |
| W. Mangezi | Manager | Blended Tea Factory |
| G. Manyukwa | Engineer | Southdown Estates |
| J. Mbewe | Operations Manager | Kent Estate |
| I. Mukandi | Estates General Manager | Southdown Estates |

**REGISTERED OFFICE**
306 Hillside Road
Msasa Woodlands
P.O. Box 4019
Harare

**COMPANY SECRETARY**
R.A. Chinamo

**SHARE TRANSFER SECRETARIES**
ZB Transfer Secretaries (Private) Limited
21 Natal Road
P.O. Box 2540
Avondale
Harare

**AUDITORS**
Deloitte & Touche Chartered Accountants (Zimbabwe)
West Block, Borrowdale Office Park
Borrowdale Road, Borrowdale
P.O. Box 267
Harare

**BANKERS**
CBZ Bank Limited
Nedbank Zimbabwe Limited
Stanbic Bank Limited
Steward Bank Limited

# Chairman’s Statement

**MR. A.C. JONGWE**
**CHAIRMAN**

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.

**INTRODUCTION**

The year under review was characterised by macro challenges which included inflationary pressure on local costs, electricity supply constraints and a depreciating local currency. Key policy announcements were also made during the year which included the abolishment of the multi-currency system leaving the Zimbabwe dollar (ZWL) as the sole trading currency for all local trading except for specified services where settlement in 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 as at year end the Group had 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 growth in historical cost revenue for the same period.

The Group ended the year with a profit after tax of ZWL55.0 million on an inflation adjusted basis, which was 325% 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.

# Chairman’s Statement - Continued

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 36% at the end of the current year on an inflation adjusted basis while the historical cost basis gearing ratio changed to 115% up from the 94% in prior year.

**REVIEW OF 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 kilogramme from ZWL3.2 per kilogramme in prior year driven by the effect of 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 on prior year. Average selling price obtained in historical cost terms improved by 253% to ZWL13.4 per kilogramme current year from ZWL3.8 per kilogramme in prior year. The increase in average selling price is 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. Average selling prices of produce sold locally still lagged behind import parity, consequently, avocado being an export crop contributed 41% to overall fruit revenue which was signficantly up from its 4% contribution in prior year.

**Business unit financial 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

# Group Operational Overview

**MR. P. T. SPEAR**
**CHIEF EXECUTIVE OFFICER**

The Group continues to place emphasis on product quality as well as maintenance of Rain Forest Alliance accreditation which bodes well for sustained and increased access to international markets for macadamia and tea.

**INTRODUCTION**

The Group had experienced a good agricultural season until tropical cyclone Idai affected farming operations in Chipinge and Chimanimani during the month of March 2019. The effects of the cyclone resulted in damage to property including housing, roads, bridges as well as other movable and immovable assets on the Group's estates. The cost of rehabilitation was estimated at US$1.5 million and at year end the Group had completed approximately 80% of the rehabilitation works.

The Group continues to place emphasis on product quality as well as maintenance of Rain Forest Alliance accreditation which bodes well for sustained and increased access to international markets for macadamia and tea.

**VOLUMES AND OPERATIONS**

**Tea**

Production volume declined by 9% from 3,285 tonnes in prior year to 2,985 tonnes in the current year. While there was no damage to the tea plantations due to tropical cyclone Idai, some of the plantations were waterlogged for an extended period due to the flooding which occurred and this ultimately resulted in downtime as well as irregular tea leaf growth which negatively affected tea production volume during that period. The average US$ selling price for export tea declined by 11% in the period under review owing to adverse world market price trends. The average selling price for local tea increased by 95% in the period under review driven by local currency depreciation. 75% of current year tea production was sold to export markets in the period under review.

**Macadamia**

Production volume was little changed from prior year at 1,301 tonnes compared to 1,351 tonnes achieved in prior year. The average selling price for macadamia increased marginally from prior year in United States dollar (US$) terms. 88% of current year production volume was sold to export markets in the period under review.

**Fruit**

Production volumes for the fruit category comprising of stone fruit, pome fruit and avocado increased from the prior year levels while production volumes for banana decreased marginally in the current year. Significant production volume increases were achieved in stone fruit and pome fruit as a result of the increased volume contribution of the young orchards which continue to mature. This trend is expected to continue as the young orchards get into full optimum production in the next few years. Revenue for the fruit category improved by 39% when compared to prior year and this was largely driven by the effects of depreciation of the local currency on pricing.

# Group Operational Overview - Continued

**Other crops**

The products described above contribute 83% (2018: 93%) in inflation adjusted terms and 87% (2018: 93%) in historical cost terms to the Group's total revenue. The remaining products representing 17% (2018: 7%) in inflation adjusted terms and 13% (2018: 7%) in historical cost terms also contributed positively to the Group's performance.

**Business unit financial performance**

Southdown Estates continued to be the Group's dominant contributor to both revenue and profitability. Southdown Estates comprising of Southdown, Clearwater, Roscommon and Blended Tea Factory achieved revenue of ZWL 83.1 million (2018: ZWL 51.3 million) which contributed 82% (2018: 80%) towards overall revenue in inflation adjusted terms while in historical cost terms, Southdown Estates contributed ZWL 36.3 million, which is 76% of the Group's total historical cost revenue (2018: ZWL 11.3 million or 80% of the Group's total historical cost revenue). Southdown's EBITDA excluding fair value adjustments was up 163% on prior year at ZWL 47.3 million in inflation adjusted terms and up 510% at ZWL 24.4 million from ZWL 4.0 million in prior year in historical cost terms.

Claremont Estate's revenue for 2019 improved to ZWL 10.9 million (2018: ZWL 6.5 million) in inflation adjusted terms and ZWL 5.1 million (2018: ZWL 1.4 million) in historical cost terms. The Estate's EBITDA excluding fair value adjustments improved to ZWL 3.1 million (2018: 0.3 million (loss)) from prior year in inflation adjusted terms and in historical cost terms the EBITDA excluding fair value adjustments of ZWL 0.09 million was a marginal improvement on the ZWL0.07 million loss in prior year.

Kent Estate's revenue at ZWL 7.8 million (2018: ZWL 6.2 million) was 26% up on prior year in inflation adjusted terms while in historical cost terms, revenue for 2019 improved 379% to ZWL 6.7 million from ZWL 1.4 million in prior year. The estate's EBITDA excluding fair value adjustments at ZWL 4.3 million was significantly up on the in prior year loss of ZWL 0.5 million in inflation adjusted terms while the historical cost terms, EBITDA at ZWL 2.6 million was up from the loss of ZWL 0.2 million in prior year.

**OUTLOOK**

Below normal rains are expected for the 2020 agricultural season. The Group heavily relies on installed irrigation capacity, however irrigation programmes continue to be affected by intermittent electricity availability. Due to favourable weather patterns in Chipinge and Chimanimani, yields in these areas are expected to exceed those achieved in 2019. To ensure a continuous and sustained improvement in the Group's financial performance, volumes of products channelled to export markets will be increased.

**APPRECIATION**

Management is grateful for the support given to the business by the Chairman, Board, shareholders, employees and other stakeholders.

**PAUL TIMOTHY SPEAR**
**CHIEF EXECUTIVE OFFICER**

29 February 2020

# Report of the Directors

The directors have pleasure in presenting their report, together with the audited financial statements of the Company, for the year ended 30 September 2019.

**CAPITAL**

**Authorised**
The authorised capital of your Company remained at 2,000,000,000 shares of ZWL0.001.

**Issued**
The issued share capital of the Company remained at 1,627,395,595 shares of ZWL0.001.

**Unissued**
At 30 September 2019 unissued share capital comprised of 372,604,405 (2018: 372,604,405) shares of ZWL0.001 each and of these, 29,370,286 (2018: 29,370,286) shares were under the control of directors, 23,075,000 (2018: 23,075,000) shares were set aside under the Senior Staff Share Option Scheme (2003, 2005 and 2011) and 320,159,119 (2018: 320,159,119) shares were set aside under the 2016 Ariston Share Ownership Trust.

**Reserves**
The movement in the reserves of the Group and the Company are shown on pages 20 to 21 of these financial statements.

**GROUP FINANCIAL RESULTS**
The results for the year were as follows:

| All figures in ZWL | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit before taxation | 91,153,106 | 16,590,718 | 46,649,196 | 3,662,410 |
| Income tax expense | (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 |

**DIVIDENDS**
In view of the Group's need to generate and preserve the available cash, the Board has seen it prudent not to declare a dividend.

**DIRECTORATE**
In accordance with article 107 of the Company's Articles of Association, Mr. I. Chagonda and Mr. J. W. Riekert retire by rotation, and being eligible, offer themselves for re-election.

**DIRECTORS' SHAREHOLDINGS**
At 30 September 2019, the directors held directly and indirectly the following number of shares in the Company:

| Director | At 30/09/2019 | At 30/09/2018 |
|---|---|---|
| Mr. I. Chagonda | - | - |
| Mr. C.P. Conradie | - | - |
| Mr. A. C. Jongwe | - | - |
| Dr. A.J. Masuka | - | - |
| Mrs. T.C. Mazingi | 658,870 | 658,870 |
| Mr. J.W. Riekert | - | - |
| Mr. P.T. Spear | 29,536,312 | 29,536,312 |

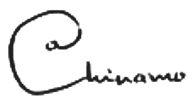
**DIRECTORS' REMUNERATION**
Non-executive directors' remuneration is subject to shareholder approval.

**AUDITORS**
At the forthcoming Annual General Meeting (AGM), shareholders will be requested to approve fees for the auditors for the year ended 30 September 2019 and to appoint auditors for the ensuing year.

Pursuant to section 3 (1) (h) of Statutory Instrument 134 of 2019 of the Zimbabwe Stock Exchange (ZSE) Listing Rules, the ZSE Practice note 3 whose effective date was 17 January 2020 and in accordance with Section 69 (6) of the ZSE Listing Rules, Issuers are required to change their audit partners every five years and their audit firm every ten years. The Practice note further states that "the period of service rendered by an auditor should be reckoned from the date they were appointed which period should also be reconciled with the period provided in the ZSE Listing Rules for seamless continuity".

The current auditors, Messrs Deloitte & Touche have been the Company's auditors since the year ended 30 September 2009. The current year audit for the year ended 30 September 2019 is their 11th year as the Company's auditors. In light of the changes made to the ZSE Listing Rules, the directors have to appoint new auditors for the audit of the year ending 30 September 2020. The directors will seek for shareholders' indulgence for more time to seek suitable replacement auditors post the Company's AGM, to hold office until the next AGM of the Company.

**BY ORDER OF THE BOARD**



**MRS. R.A. CHINAMO**
**COMPANY SECRETARY**

29 February 2020

# Directors' Responsibility for Financial Reporting

The directors of the Group are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The Group's independent external auditors, Deloitte & Touche, have audited the annual financial statements and their report appears on pages 13 to 16.

The directors are required by the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96) to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Group at the end of the financial period and the performance and cash flows for the period.

In preparing the accompanying financial statements, International Financial Reporting Standards have been applied, reasonable, and prudent judgements and estimates have been made. The financial statements incorporate full and responsible disclosure in line with the accounting philosophy of the Group.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the consolidated financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and to detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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.

The annual financial statements have been prepared under the supervision of Mrs. R.A. Chinamo, CA(Z), and have been audited in terms of section 29 (1) of the Companies Act (Chapter 24:03).

The financial statements set out on pages 17 to 71 were approved by the Board of Directors and are signed on their behalf by:

**A.C. JONGWE**
**CHAIRMAN**

**P.T. SPEAR**
**CHIEF EXECUTIVE OFFICER**

29 February 2020

# Corporate Governance

Ariston Holdings Limited ("the Group") is committed to maintaining the highest levels of integrity and accountability in all its business practices and its corporate governance policy is aimed at these objectives. This is achieved by ensuring the Group is correctly structured and appropriate reporting and control mechanisms are in place.

## 1. BOARD COMPOSITION AND APPOINTMENT

The Board of directors ("the Board") is chaired by an independent non-executive director and comprises six non-executive directors (including the chairman) and one executive director.

The Board enjoys a strong mix of skills and experience. It is the primary governance organ. The role of the Board is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented in an ethical and professional manner.

The Board meets regularly, at least four times a year, and guides corporate strategy, risk management practices, annual budgets and business plans.

Special board meetings may be convened on an adhoc basis when necessary to consider issues requiring urgent attention or decision.

The company secretary maintains an attendance register of directors for all scheduled meetings during the year through which directors can assess their devotion of sufficient time to the Group.

The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including the independent audit, and that appropriate systems of control, risk management and compliance with laws are in place.

To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board meetings, Board and Management Committees as well as strategic planning workshops organised by the Group.

The Board appointments are made to ensure a variety of skills and expertise on the Board. A third of the directors are required to retire on a rotational basis each year, along with any directors appointed to the Board during the year.

Executive directors are employed under performance-driven service contracts setting out responsibilities of their particular office.

## 2. BOARD ACCOUNTABILITY AND DELEGATED FUNCTIONS

The Board is supported by various committees in executing its responsibilities. The committees meet quarterly to assess, review performance and provide guidance to management on both operational and policy issues.

Each committee acts within certain written terms of reference under which certain functions of the Board are delegated with clearly defined purposes. The Board may take independent professional advice at the Group's expense where necessary. The Board monitors the effectiveness of controls through reviews by the Audit and Risk Committee, the Group Internal audit function and independent assessments by the independent external auditors.

**Attendance of directors at Board and Board committee meetings during the year ended 30 September 2019**

| Director | Board | Audit and Risk Committee | Human Resources and Remuneration Committee | Operations/ Technical Committee |
|---|---|---|---|---|
| I. Chagonda | 2/4 | 2/4 | - | - |
| C.P. Conradie | 4/4 | 4/4 | 4/4 | 4/4 |
| A. C. Jongwe | 4/4 | 4/4 | 4/4 | - |
| Dr. A. Masuka | 4/4 | - | - | 4/4 |
| T. C. Mazingi | 4/4 | - | 4/4 | - |
| J.W. Riekert | 4/4 | 4/4 | - | - |
| P.T. Spear | 4/4 | - | 4/4 | 4/4 |

# Corporate Governance - Continued

**3. BOARD COMMITTEES**

**3.1 Audit and Risk Committee**

The Audit and Risk Committee is chaired by an independent non-executive director and the independent external auditors and the Group's internal auditor have unrestricted access to the committee and attend all meetings. It reviews the interim and annual financial statements, the Group systems and controls and ensures that audit recommendations are considered and where appropriate, implemented.

**3.2 Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee is chaired by a non-executive director and reviews remuneration levels of members of staff throughout the Group.

This Committee comprises three (3) non-executive directors (one of whom is the Chairperson) and one executive director. This Committee is mandated to deal with staff development and formulate remuneration policies as well as approve remuneration packages for executive directors and senior executives.

The remuneration policy is designed to reward performance, to attract, motivate and retain high calibre individuals who will contribute fully to the success of each of the businesses in which the Group operates. The committee draws on external market survey data from independent advisors to ensure that the remuneration policy is appropriate and relevant to the prevailing times.

**3.3 Operations/Technical Committee**

The Operations/Technical Commitee chaired by a non-executive director. The Operations/Technical Committee comprises of two (2) non-executive directors and one executive director. The purpose of the Committee is to assist the Board in its oversight of the technical and operational risks of the Group in delivering its business plans.

The Committee assesses management's operational policies, strategies, budgets and action plans, reviews implementation or execution and makes recommendations to the Board.

**4. FINANCIAL STATEMENTS AND MANAGEMENT REPORTING**

A decentralised management structure exists with business unit management attending to the daily activities of individual business units.

Annual budgets and plans are compiled by each business unit and reviewed and agreed by the Board.

Each business unit has comprehensive management and financial reporting disciplines, which include monthly management accounts, physical and financial expenditure controls, planned capital expenditure programmes and detailed operating budgets.

The Group maintains internal controls and systems to support these disciplines, and the results of each operation are approved by the Board. Financial progress is monitored monthly and annual forecasts are reviewed quarterly.

The annual financial statements are prepared on a going concern basis, as the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are based on policies which are reasonable and prudent. The independent auditors are responsible for carrying out independent examination of the financial statements in accordance with International Standards on Auditing (ISA) and the directors accept responsibility for the preparation of and information presented in the financial statements.

**5. OTHER CORPORATE GOVERNANCE MEASURES**

**5.1 Internal Audit**

The internal audit department is headed by the Group Internal Auditor. Its main activities are to address the following issues at each of the business units of the Group:

- Appraising of systems, procedures and management controls;
- Evaluating the integrity of management and financial information;
- Assessing the controls over Group assets; and
- Reviewing the compliance with applicable legislation, regulations, Group policies and procedures.

**5.2 Worker Participation**

Worker participation and employer/employee relations are handled through regular works councils and worker committee meetings in each operating division. Regular meetings ensure information dissemination, consultation and resolution of conflict areas timeously and to the benefit of all parties.

# Corporate Governance - Continued

**5. OTHER CORPORATE GOVERNANCE MEASURES - continued**

**5.3 Environment**

The Group adopts a responsible approach and complies with all regulatory and legislative requirements to ensure the protection and maintenance of the environment in which it operates.

**5.4 Social Responsibility**

The Group contributes to the social well-being of its employees and their dependents within the communities in which the Group's operations are located. Provision of health, educational, recreational and sporting facilities on the Group's estates provides amenities for employees as well as members of the surrounding communities.

The Group participates in fair trade label programmes and subjects its operations to audit by international organisations, to ensure compliance with the highest standards in its respective operations.

**5.5 Related Party Transactions**

The Group has a process in place whereby the directors and key management have confirmed that, to the best of their knowledge, the information disclosed in the Group's consolidated financial statements fairly represents their shareholding in the Company, both beneficial and indirect, interest in share options of the Company and the compensation earned from the Group for the financial year. In addition, the directors and key management have confirmed that all interests have been declared.

**5.6 Insider Trading**

No director, officer or employee of the Company may deal directly or indirectly in the Company's shares on the basis of unpublished price-sensitive information regarding its business or affairs. In addition, no director, officer or employee may trade in the Company's shares during closed periods. Closed periods are from the end of the interim and annual reporting periods to the announcement of financial and operating results for the respective periods, and while the Company is under a cautionary announcement.

**ALEXANDER CRISPEN JONGWE**
**CHAIRMAN**

**PAUL TIMOTHY SPEAR**
**CHIEF EXECUTIVE OFFICER**

29 February 2020

Deloitte.

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 17 to 71, 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

# Independent Auditor's Report - Continued

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Ariston Holdings Limited (continued)**

| 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.*<br><br>There are a number of key estimates, assumptions and data inputs used by the Directors in determining fair value. The assumptions and inputs include:<br>• For livestock, poultry and timber, determination of market prices for fair valuation;<br>• For produce growing on bearer plants, determination of maturity profile of the produce on the plant at the reporting date;<br>• Expected yields; and<br>• Average selling prices less costs to sell for produce growing on the bearer plants at period end.<br><br>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.<br><br>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:<br>• Obtaining an understanding and testing the design and implementation of relevant controls;<br>• Evaluating the Directors' methodology applied in the valuation of biological assets and biological produce;<br>• 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:<br>- For livestock, poultry and timber, values were compared to the market prices at the reporting date;<br>- For produce on bearer plants, the maturity profiles were assessed against historical data.<br>• 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;<br>• 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<br>• Evaluating the financial statement disclosures for appropriateness and adequacy.<br><br>We found the valuation of biological assets to be appropriate. |

# Independent Auditor's Report - Continued

**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 - Continued

**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**

# Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 September 2019

**INFLATION ADJUSTED**

| All figures in ZWL | Notes | Company 2019 | Company 2018 | Group 2019 | Group 2018 |
|---|---|---|---|---|---|
| Revenue | 5.1 | - | - | 101,848,986 | 64,009,643 |
| Cost of production | | - | - | (39,720,063) | (41,071,644) |
| **Gross profit** | | **-** | **-** | **62,128,923** | **22,937,999** |
| Other operating income | | - | 291,506 | 5,396,551 | 12,670,193 |
| Operating expenses | | (157,701) | (167,761) | (18,916,028) | (18,534,690) |
| **(Loss)/profit from operations** | 7 | **(157,701)** | **123,745** | **48,609,446** | **17,073,502** |
| Fair value adjustments | 11 | - | - | 45,362,915 | 4,109,888 |
| Exchange differences | | - | - | (40,363,251) | - |
| Monetary (loss)/gain | | (43,588,229) | - | 40,720,724 | - |
| Share of profit of a joint venture | 12 | - | - | 1,655,132 | 306,364 |
| **(Loss)/profit before interest and taxation** | | **(43,745,930)** | **123,745** | **95,984,966** | **21,489,754** |
| Finance costs | | - | - | (4,831,860) | (4,899,036) |
| **(Loss)/profit before taxation** | | **(43,745,930)** | **123,745** | **91,153,106** | **16,590,718** |
| Income tax expense | 8 | - | - | (36,154,440) | (3,661,558) |
| **(Loss)/profit for the year** | | **(43,745,930)** | **123,745** | **54,998,666** | **12,929,160** |
| Other comprehensive income (net of tax) | | - | - | - | - |
| **Total comprehensive (loss) /income for the year** | | **(43,745,930)** | **123,745** | **54,998,666** | **12,929,160** |
| **Earnings per share (ZWL dollars)** | | | | | |
| Basic earnings per share | 9 | | | 0.034 | 0.0080 |
| Diluted earnings per share | 9 | | | 0.034 | 0.0080 |

**HISTORICAL COST**

| All figures in ZWL | Notes | Company 2019 | Company 2018 | Group 2019 | Group 2018 |
|---|---|---|---|---|---|
| Revenue | 5.1 | - | - | 48,126,876 | 14,130,164 |
| Cost of production | | - | - | (18,223,369) | (9,066,588) |
| **Gross profit** | | **-** | **-** | **29,903,507** | **5,063,576** |
| Other operating income | | - | 64,350 | 1,488,658 | 2,796,952 |
| Operating expenses | | (63,976) | (37,033) | (5,918,699) | (4,091,543) |
| **(Loss)/profit from operations** | 7 | **(63,976)** | **27,317** | **25,473,466** | **3,768,985** |
| Fair value adjustments | 11 | - | - | 64,202,507 | 907,260 |
| Exchange differences | | - | - | (40,363,251) | - |
| Share of profit of a joint venture | 12 | - | - | 671,453 | 67,630 |
| **(Loss)/profit before interest and taxation** | | **(63,976)** | **27,317** | **49,984,175** | **4,743,875** |
| Finance costs | | - | - | (3,334,979) | (1,081,465) |
| **(Loss)/profit before taxation** | | **(63,976)** | **27,317** | **46,649,196** | **3,662,410** |
| Income tax expense | 8 | - | - | (22,128,320) | (808,291) |
| **(Loss)/profit for the year** | | **(63,976)** | **27,317** | **24,520,876** | **2,854,119** |
| Other comprehensive income (net of tax) | | - | - | - | - |
| **Total comprehensive (loss)/income for the year** | | **(63,976)** | **27,317** | **24,520,876** | **2,854,119** |
| **Earnings per share (ZWL dollars)** | | | | | |
| Basic earnings per share | 9 | | | 0.015 | 0.0018 |
| Diluted earnings per share | 9 | | | 0.015 | 0.0018 |

# Statements of Financial Position

As at 30 September 2019

**INFLATION ADJUSTED**

| | | Company | | Group | |
|---|---|---|---|---|---|
| **All figures in ZWL** | **Notes** | **2019** | **2018** | **2019** | **2018** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | - | - | 154,615,813 | 149,509,823 |
| Biological assets | 11 | - | - | 2,842,381 | 1,243,399 |
| Investment in joint venture | 12 | - | - | 1,961,496 | 306,364 |
| Investments | 13 | 40,765 | 40,765 | - | - |
| Deferred tax | 17 | - | - | - | 19,030,036 |
| | | **40,765** | **40,765** | **159,419,690** | **170,089,622** |
| **Current assets** | | | | | |
| Biological assets | 11 | - | - | 66,697,126 | 22,933,193 |
| Inventories | 14 | - | - | 10,406,691 | 8,700,191 |
| Trade and other receivables | 15 | 12,384,283 | 56,390,613 | 28,310,327 | 7,934,313 |
| Cash and cash equivalents | | - | - | 4,598,256 | 423,383 |
| | | **12,384,283** | **56,390,613** | **110,012,400** | **39,991,080** |
| **TOTAL ASSETS** | | **12,425,048** | **56,431,378** | **269,432,090** | **210,080,702** |
| **EQUITY** | | | | | |
| Share capital and reserves | | | | | |
| Share capital | 16 | 7,372,099 | 7,372,099 | 7,372,099 | 7,372,099 |
| Share premium | | 49,477,983 | 49,477,983 | 49,477,983 | 49,477,983 |
| (Accumulated losses)/distributable reserves | | (44,504,614) | (758,684) | 75,254,964 | 20,363,043 |
| | | **12,345,468** | **56,091,398** | **132,105,046** | **77,213,125** |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 19 | - | - | 43,030,837 | 61,808,271 |
| Deferred tax | 17 | 5,812 | 5,812 | 55,943,786 | 39,492,884 |
| Finance lease liabilities | 20 | - | - | 653,809 | 721,063 |
| | | **5,812** | **5,812** | **99,628,432** | **102,022,218** |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | 73,768 | 334,168 | 33,566,850 | 20,192,035 |
| Borrowings | 19 | - | - | 3,779,711 | 9,684,461 |
| Finance lease liabilities | 20 | - | - | 352,051 | 968,863 |
| | | **73,768** | **334,168** | **37,698,612** | **30,845,359** |
| **TOTAL EQUITY AND LIABILITIES** | | **12,425,048** | **56,431,378** | **269,432,090** | **210,080,702** |

The financial statements were approved and authorised for issue by the Board of directors on 29 February 2020 and have been signed on its behalf by:

**A.C. JONGWE**
**CHAIRMAN**

**29 FEBRUARY 2020**

**P.T. SPEAR**
**CHIEF EXECUTIVE OFFICER**

**29 FEBRUARY 2020**

# Statements of Financial Position - Continued

As at 30 September 2019

**HISTORICAL COST**

| All figures in ZWL | Notes | Company 2019 | Company 2018 | Group 2019 | Group 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | - | - | 38,457,898 | 33,004,376 |
| Biological assets | 11 | - | - | 2,842,381 | 274,481 |
| Investment in joint venture | 12 | - | - | 739,083 | 67,630 |
| Investments | 13 | 8,999 | 8,999 | - | - |
| Deferred tax | 17 | - | - | - | 4,200,891 |
| | | **8,999** | **8,999** | **42,039,362** | **37,547,378** |
| **Current assets** | | | | | |
| Biological assets | 11 | - | - | 66,697,122 | 5,062,515 |
| Inventories | 14 | - | - | 6,084,110 | 1,920,572 |
| Trade and other receivables | 15 | 12,384,283 | 12,448,259 | 25,750,563 | 1,751,504 |
| Cash and cash equivalents | | - | - | 4,598,256 | 93,462 |
| | | **12,384,283** | **12,448,259** | **103,130,051** | **8,828,053** |
| **TOTAL ASSETS** | | **12,393,282** | **12,457,258** | **145,169,413** | **46,375,431** |
| **EQUITY** | | | | | |
| **Share capital and reserves** | | | | | |
| Share capital | 16 | 1,627,395 | 1,627,395 | 1,627,395 | 1,627,395 |
| Share premium | | 10,922,292 | 10,922,292 | 10,922,292 | 10,922,292 |
| (Accumulated losses)/distributable reserves | | (231,456) | (167,480) | 28,992,465 | 4,495,153 |
| | | **12,318,231** | **12,382,207** | **41,542,152** | **17,044,840** |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 19 | - | - | 43,030,837 | 13,644,210 |
| Deferred tax | 17 | 1,283 | 1,283 | 25,684,234 | 8,718,076 |
| Finance lease liabilities | 20 | - | - | 653,809 | 159,175 |
| | | **1,283** | **1,283** | **69,368,880** | **22,521,461** |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | 73,768 | 73,768 | 30,126,619 | 4,457,403 |
| Borrowings | 19 | - | - | 3,779,711 | 2,137,850 |
| Finance lease liabilities | 20 | - | - | 352,051 | 213,877 |
| | | **73,768** | **73,768** | **34,258,381** | **6,809,130** |
| **TOTAL EQUITY AND LIABILITIES** | | **12,393,282** | **12,457,258** | **145,169,413** | **46,375,431** |

The financial statements were approved and authorised for issue by the Board of directors on 29 February 2020 and have been signed on its behalf by:

**A.C. JONGWE**
**CHAIRMAN**

**29 FEBRUARY 2020**

**P.T. SPEAR**
**CHIEF EXECUTIVE OFFICER**

**29 FEBRUARY 2020**

# Statements of Changes In Shareholders' Equity

For the year ended 30 September 2019

**INFLATION ADJUSTED**

**COMPANY**

| All figures in ZWL | Share capital | Share premium | Share-based payment reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| **Balance at 30 September 2017** | **7,342,201** | **49,089,309** | **4,258** | **(886,687)** | **55,549,081** |
| Share issue | 29,898 | 388,674 | - | - | **418,572** |
| Transfer to distributable reserves on expiry of share options | - | - | (4,258) | 4,258 | **-** |
| Total comprehensive income for the year | - | - | - | 123,745 | **123,745** |
| **Balance at 30 September 2018** | **7,372,099** | **49,477,983** | **-** | **(758,684)** | **56,091,398** |
| Total comprehensive loss for the year | - | - | - | (43,745,930) | **(43,745,930)** |
| **Balance at 30 September 2019** | **7,372,099** | **49,477,983** | **-** | **(44,504,614)** | **12,345,468** |

**GROUP**

| 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 expiry of share options | - | - | (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** |

# Statements of Changes In Shareholders' Equity - Continued

For the year ended 30 September 2019

**HISTORICAL COST**

**COMPANY**

| All figures in ZWL | Share capital | Share premium | Share-based payment reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| **Balance at 30 September 2017** | **1,620,795** | **10,836,492** | **940** | **(195,737)** | **12,262,490** |
| Share issue | 6,600 | 85,800 | - | - | **92,400** |
| Transfer to distributable reserves on expiry of share options | - | - | (940) | 940 | **-** |
| Total comprehensive income for the year | | | | 27,317 | **27,317** |
| **Balance at 30 September 2018** | **1,627,395** | **10,922,292** | **-** | **(167,480)** | **12,382,207** |
| Total comprehensive loss for the year | - | - | - | (63,976) | **(63,976)** |
| **Balance at 30 September 2019** | **1,627,395** | **10,922,292** | **-** | **(231,456)** | **12,318,231** |

**GROUP**

| 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 expiry of share options | - | - | (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** |

# Statements of Cashflows

For the year ended 30 September 2019

**INFLATION ADJUSTED**

| | | Company | | Group | |
|---|---|---|---|---|---|
| **All figures in ZWL** | **Notes** | **2019** | **2018** | **2019** | **2018** |
| **Cash flows from operating activities** | | | | | |
| (Loss)/profit before interest and taxation | | (43,745,930) | 123,745 | 95,984,966 | 21,489,754 |
| Monetary adjustment | | 43,588,229 | - | (40,720,724) | - |
| | | (157,701) | 123,745 | 55,264,242 | 21,489,754 |
| Non-cash items | 6.1 | (43,848,629) | (291,506) | (3,833,202) | 3,093,442 |
| Cashflows from operations | | (44,006,330) | (167,761) | 51,431,040 | 24,583,196 |
| Finance costs | | - | - | (3,751,384) | (4,899,036) |
| Changes in working capital | 6.2 | 44,006,330 | (239,939) | (8,707,699) | (17,128,895) |
| **Cash (utilised in)/generated from operating activities** | | **-** | **(407,700)** | **38,971,957** | **2,555,265** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 10 | - | - | (12,716,590) | (6,611,487) |
| Net cash outflow on bearer plants | 10 | - | - | (1,177,672) | (1,140,061) |
| Proceeds from sale of property, plant and equipment | | - | - | 19,356 | 67,039 |
| Proceeds from sale of investments | | - | 407,700 | - | 407,700 |
| **Cash generated from/(utilised in) investing activities** | | **-** | **407,700** | **(13,874,906)** | **(7,276,809)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | 6.3 | - | - | 9,885,492 | 36,128,571 |
| Repayment of borrowings | 6.3 | - | - | (32,392,450) | (32,736,566) |
| Proceeds from finance leases | 6.4 | - | - | 2,761,286 | 1,332,232 |
| Repayments of finance leases | 6.4 | - | - | (1,176,506) | (339,726) |
| **Cash (utilised in)/generated from financing activities** | | **-** | **-** | **(20,922,178)** | **4,384,511** |
| Net cash inflow/(outflow) | | - | - | 4,174,873 | (337,033) |
| Cash and cash equivalents at beginning of year | | - | - | 423,383 | 760,416 |
| **Cash and cash equivalents at end of year** | | **-** | **-** | **4,598,256** | **423,383** |
| Cash and cash equivalents at end of year comprising: | | | | | |
| Cash and cash equivalents | 6.5 | - | - | 4,598,256 | 423,383 |
| **Cash and cash equivalents at the end of year** | | **-** | **-** | **4,598,256** | **423,383** |

# Statements of Cashflows - Continued
For the year ended 30 September 2019

**HISTORICAL COST**

| | | Company | | Group | |
|---|---|---|---|---|---|
| **All figures in ZWL** | **Notes** | **2019** | **2018** | **2019** | **2018** |
| **Cash flows from operating activities** | | | | | |
| (Loss)/profit before interest and taxation | | (63,976) | 27,317 | 49,984,175 | 4,743,875 |
| Non-cash items | 6.1 | - | (64,350) | (28,308,311) | 682,879 |
| Cashflows from operations | | (63,976) | (37,033) | 21,675,864 | 5,426,754 |
| Finance costs | | - | - | (2,690,370) | (1,081,465) |
| Changes in working capital | 6.2 | 63,976 | (52,967) | (2,493,381) | (3,781,213) |
| **Cash (utilised in)/generated from operating activities** | | **-** | **(90,000)** | **16,492,113** | **564,076** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 10 | - | - | (7,055,113) | (1,459,490) |
| Net cash outflow on bearer plants | 10 | - | - | (477,757) | (251,669) |
| Proceeds from sale of property, plant and equipment | | - | - | 8,837 | 14,799 |
| Proceeds from sale of investments | | - | 90,000 | - | 90,000 |
| **Cash generated from/(utilised in) investing activities** | | **-** | **90,000** | **(7,524,033)** | **(1,606,360)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | 6.3 | - | - | 5,349,128 | 7,975,402 |
| Repayment of borrowings | 6.3 | - | - | (10,445,222) | (7,226,615) |
| Proceeds from finance leases | 6.4 | - | - | 1,000,466 | 294,091 |
| Repayments of finance leases | 6.4 | - | - | (367,658) | (74,995) |
| **Cash (utilised in)/generated from financing activities** | | **-** | **-** | **(4,463,286)** | **967,883** |
| Net cash inflow/(outflow) | | - | - | 4,504,794 | (74,401) |
| Cash and cash equivalents at beginning of year | | - | - | 93,462 | 167,863 |
| **Cash and cash equivalents at end of year** | | **-** | **-** | **4,598,256** | **93,462** |
| Cash and cash equivalents at end of year comprising: | | | | | |
| Cash and cash equivalents | 6.5 | - | - | 4,598,256 | 93,462 |
| **Cash and cash equivalents at end of year** | | **-** | **-** | **4,598,256** | **93,462** |

## 1. GENERAL DISCLOSURES

### 1.1. Country of incorporation and main activities
Ariston Holdings Limited ("the Company"), an investment holding company, its subsidiaries and joint venture company ("the Group") are incorporated in Zimbabwe. The principal activities of the Group are farming operations which include tea, macadamia, avocados, bananas, stone fruit, pome fruit, livestock, poultry and horticulture. The ultimate holding company of the Group is Afrifresh Group (Proprietary) Limited, a South African registered company.

### 1.2 Functional and presentation currency
These financial statements are presented in Zimbabwe Dollars (ZWL) which is the functional and presentation currency of the Company and the Group as this is the currency of the primary economic environment in which the Company and Group operate.

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

Given the environment that the Group was operating in, the directors assessed in terms of IAS 21, if there had 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 (SI33) of 2019 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.

The Group and Company complied with SI (33) in the financial statements prepared for historical cost purposes 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 IAS29 adjustment factors to the financial information for the Group and Company.

### 1.3 Borrowing powers
The directors may, at their discretion, borrow an amount equal to double the aggregate of shareholders' funds of the Group.

### 1.4 Preparer of financial statements
These financial statements have been prepared under the supervision of Mrs R.A. Chinamo, CA (Z), and have been audited in terms of section 29(1) of the Companies Act (Chapter 24:03).

## 2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

### 2.1 New and revised standards and interpretations that are effective for the current year

**Impact of initial application of IFRS 9 - Financial Instruments**
In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives therefore the Group elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 and to the comparative period.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**(a) Classification and measurement of financial assets**
The date of initial application (i.e. the date on which the Group assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 October 2018. Accordingly, the Group applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 October 2018 and did not apply the requirements to instruments that had already been derecognised as at 1 October 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:
- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cashflows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

**2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS - continued**

**2.1 New and revised standards and interpretations that are effective for the current year - continued**

**(a) Classification and measurement of financial assets - continued**
Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 October 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no material impact on measurement and classification.

Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within the business model to collect contractual cashflows and these cashflows consist solely of payments of the principal amount and interest accrued on the principal amount outstanding.

The note below tabulates the change in classification of the Group's financial assets upon classification of IFRS 9.

| All figures in ZWL | Original Classification under IAS 39 | New Classification under IFRS 9 | Original Carrying Amount under IAS 39 | New Carrying Amount under IFRS 9 |
|---|---|---|---|---|
| **INFLATION ADJUSTED** | | | | |
| **Assets** | | | | |
| Trade and other receivables | Loans and receivables | Amortised Cost | 7,934,313 | 7,934,313 |
| Cash and cash equivalents | Cash and cash equivalents | Cash and cash equivalents | 423,383 | 423,383 |
| **Total assets** | | | **8,357,696** | **8,357,696** |
| **Liabilities** | | | | |
| Trade and other payables | Amortised Cost | Amortised Cost | 20,192,035 | 20,192,035 |
| Short and long term borrowings | Amortised Cost | Amortised Cost | 73,182,658 | 73,182,658 |
| **Total liabilities** | | | **93,374,693** | **93,374,693** |
| **HISTORICAL COST** | | | | |
| **Assets** | | | | |
| Trade and other receivables | Loans and receivables | Amortised Cost | 1,751,504 | 1,751,504 |
| Cash and cash equivalents | Cash and cash equivalents | Cash and cash equivalents | 93,462 | 93,462 |
| **Total assets** | | | **1,844,966** | **1,844,966** |
| **Liabilities** | | | | |
| Trade and other payables | Amortised Cost | Amortised Cost | 4,457,403 | 4,457,403 |
| Short and long term borrowings | Amortised Cost | Amortised Cost | 16,155,112 | 16,155,112 |
| **Total Liabilities** | | | **20,612,515** | **20,612,515** |

**(b) Impairment of financial assets**
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

**2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS - continued**

**2.1 New and revised standards and interpretations that are effective for the current year - continued**

**(b) Impairment of financial assets - continued**

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group has adopted the simplified expected credit loss model for its trade and other receivables which uses a lifetime expected loss allowance, as required by IFRS 9. Upon adoption of IFRS 9, on 1 October 2018, the Group recognised additional impairment of ZWL106,745 (inflation adjusted) on its other receivables balances.

**Impact of application of IFRS 15 - Revenue from Contracts with Customers**

**Issued: 28 May 2014**
**Effective date: Applicable to an entity's first IFRS financial statements for a period beginning on or after 1 January 2018**

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's financial statements are described below.

IFRS 15 replaces all existing IFRS revenue requirements and establishes a single, principle based model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the Group satisfies performance obligations and transfers the control of goods to its customers, compared with the previous accounting standard that recognised revenue based on an assessment of the risks and rewards of ownership. The measurement of revneue is based on the amount to which the Group expects to be entitled to in the exchange for goods and is allocated to each specific performances obligation in the contract. Revenue is recognised at a point in time, when control of the goods is transferred to the customer.

IFRS 15 uses the terms "contract asset" and "contract liability" to describe what might be more commonly known as "accrued revenue" and "deferred revenue", however the Standard does not prohibit an entity from using alternative despcriptions in the statement of financial position.

The Group has adopted the terminology used in IFRS 15 to describe such balances. The Group's accounting policies for its revenue streams are disclosed in detail in Note 3.18. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/ or financial performance of the Group.

In the current year, the Group has applied a number of amendments to the International Accountig Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions**

Amends IFRS 2 Share-based Payments to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

**2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS - continued**

**2.1 New and revised standards and interpretations that are effective for the current year - continued**

**Transfers of Investment Property (Amendments to IAS 40)**

The amendments to IAS 40 Investment Property:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

**Annual Improvements to IFRS Standards 2014–2016 Cycle**

Makes amendments to the following standards:
IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation addresses foreign currency transactions or parts of transactions where:
- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income;
- the prepayment asset or deferred income liability is non-monetary; and
- this interpretation is applicable to the Group due to the change in functional and presentation currency during the year.

The Interpretations Committee came to the following conclusion:
- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

**2.2 New and revised standards in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised standards that have been issued but are not yet effective.

**IFRS 16 Leases**

**Issued: 13 January 2016**
**Effective date: Applicable to annual reporting periods beginning on or after 1 January 2019**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

**2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS - continued**

**2.2 New and revised standards in issue but not yet effective - continued**

The directors anticipate that this standard, in future periods, will have no significant impact on the financial statements of the Group.

**IFRS 17 Insurance Contracts**

**Issued: 18 May 2017**
**Effective date: Applicable to annual reporting periods beginning on or after 1 January 2021**

IFRS 17 requires insurance liabilities to be remeasured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

The directors anticipate that this standard, in future periods, will have no significant impact on the financial statements of the Group.

**IFRIC 23 Uncertainty over Income Tax Treatments**

**Issued: 7 June 2017**
**Effective date: Applicable to annual reporting periods beginning on or after 1 January 2019**

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The directors anticipate that this standard, in future periods, will have no significant impact on the financial statements of the Group.

**Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

**Issued: 12 October 2017**
**Annual periods beginning on or after 1 January 2019**

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

**Issued: 12 October 2017**
**Annual periods beginning on or after 1 January 2019**

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

**2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS - continued**

**2.2 New and revised standards in issue but not yet effective - continued**

**Annual Improvements to IFRS Standards 2015–2017 Cycle**

**Issued: 12 December 2017**
**Annual periods beginning on or after 1 January 2019**

Makes amendments to the following standards:
IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

**Issued: 7 February 2018**
**Annual periods beginning on or after 1 January 2019**

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:
- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

**Definition of a Business (Amendments to IFRS 3)**

**Issued: 22 October 2018**
**Annual periods beginning on or after 1 January 2020**

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS - continued

2.2 New and revised standards in issue but not yet effective - continued

**Definition of Material (Amendments to IAS 1 and IAS 8)**

**Issued: 31 October 2018**
**Annual periods beginning on or after 1 January 2020**

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

**Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)**

**Issued: 26 September 2019**
**Annual periods beginning on or after 1 January 2020**

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

**Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

**Issued: 23 January 2020**
**Annual periods beginning on or after 1 January 2020**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The directors anticipate that this amendment, in future periods, will have no significant impact on the financial statements of the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS), as issued by the International Accounting Standards Board (IASB).

### 3.2 Basis of preparation

The consolidated financial statements 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 reflect the effects of the application of International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" as more fully described on Note 3.2.1.

Historical cost financial statements are presented in compliance with the requirements of the Companies Act (Chapter 24:03).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### 3.2 Basis of preparation - continued

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of the financial statements on a going concern basis is appropriate.

#### 3.2.1 Hyperinflation

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

The financial statements prepared on the historical cost basis have been adjusted to fully comply with IFRS; these adjustments include the restatement of current financial information to comply with IAS 29 which requires that financial statements be prepared and presented in terms of the measuring unit current at the reporting date with comparative information being restated in the same manner. 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:

| Month | Indices | Conversion Factors |
|---|---:|---:|
| Sep-18 | 64.06 | 4.53 |
| Oct-18 | 74.59 | 3.89 |
| Nov-18 | 81.45 | 3.56 |
| Dec-18 | 88.81 | 3.27 |
| Jan-19 | 98.35 | 2.95 |
| Feb-19 | 100.00 | 2.90 |
| Mar-19 | 104.38 | 2.78 |
| Apr-19 | 110.14 | 2.64 |
| May-19 | 123.95 | 2.34 |
| Jun-19 | 172.61 | 1.68 |
| Jul-19 | 208.92 | 1.39 |
| Aug-19 | 246.68 | 1.18 |
| Sep-19 | 290.34 | 1.00 |

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.2.1 Hyperinflation - continued**

The key procedures applied in the restatement processes are as follows:
- Biological assets, monetary assets and liabilities at the reporting date are not restated since they are already stated in terms of the monetary unit at reporting date
- Non-monetary assets and liabilities and components of shareholders' equity are restated by applying the relevant monthly conversion factors.
- Comparative information is restated using the inflation indices, in terms of the measuring unit current at the reporting date.
- The net effect of the inflation adjustments on the net monetary position of the Group is included in the income statement as a monetary gain or loss.

Upon applying the hyperinflation procedures stated above to the financial information of the Group and Company the following monetary (losses)/gains arose: Company ZWL43,588,229 (loss) (2018: ZWL nil) and Group ZWL50,378,519 (gain) (2018: ZWL nil). The monetary (loss)/gain for the Company and Group was derived as the difference between the amounts reported for historical cost purposes and the result from the restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of index-linked items to year end purchasing power. The monetary (loss)/gain has been included in the Statements of profit or loss and other comprehensive income.

The principal accounting policies are set out below:

**3.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**3.3.1 Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.4 Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

(1) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
(2) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date and
(3) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.5 Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.5 Investments in associates and joint ventures - continued**

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

**3.6 Biological assets**

Biological assets exclude bearer plants and include the following:

| Produce on bearer plants | Seasonal crops | Other |
|---|---|---|
| tea | potatoes | timber - gum and pine trees |
| macadamia | commercial maize | livestock |
| avocado fruit | seed maize | poultry |
| banana | sugar beans | |
| stone fruit | soya beans | |
| pome fruit | other fresh produce | |

**Produce growing on bearer plants and seasonal crops**
These biological assets are measured at fair value on initial recognition and at fair values less costs to sell at each period end. Fair value is determined based on current estimated market prices, less estimated harvesting, transport and packaging costs. Other variables used in determining fair values include estimated yield and expected quality.

**Livestock, poultry and timber**
These biological assets are measured at fair value less costs to sell, fair value being determined upon the age, size and relevant market price.

Surpluses or deficits arising from the annual change in the valuation are taken to profit or loss as a fair value adjustment.

**3.7 Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they occur.

**3.8 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.8 Financial instruments - continued**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of financial assets**
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

**(i) Amortised cost and effective interest method**
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.8 Financial instruments - continued**

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

**(ii) Financial assets at FVTPL**
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL, specifically bank and cash balances.

**Foreign exchange gains and losses**
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

**Impairment of financial assets**
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, which are supposed to be adjusted for country specific factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**Significant increase in credit risk**
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.8 Financial instruments - continued**

**Significant increase in credit risk - continued**

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default;
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**(i) Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**(ii) Write-off policy**

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.8 Financial instruments - continued**

**(iii) Measurement and recognition of expected credit losses**
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Derecognition of financial assets**
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities**
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Foreign exchange gains and losses**
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

**Derecognition of financial liabilities**
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### 3.8 Financial instruments - continued

**Derecognition of financial liabilities - continued**

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

### 3.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.9 Taxation - continued**

**Current and deferred tax for the period**

Current and deferred taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case, the tax is also recognised directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquiree's interest, in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

**3.10 Property, plant and equipment**

Property, plant and equipment are carried at indexed cost less accumulated depreciation and any recognised impairment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Costs capitalised include all directly attributable costs incurred in bringing the relevant assets to their fully productive state.

Bearer plants are included in property, plant and equipment. Before maturity, bearer plants are measured at their accumulated indexed cost. After maturity bearer plants are measured at indexed cost less accumulated depreciation and any recognised impairment recognised in profit or loss. The useful life of the bearer plants is determined in order to depreciate them and this is re-evaluated each year.

The Group's bearer plants at year end comprise tea bushes, macadamia trees, avocado trees, banana trees, stone fruit trees and pome fruit trees. The useful lives of bearer plants are as follows:

| | |
|---|---|
| Tea bushes | 100 years |
| Macadamia trees | 50 years |
| Avocado trees | 40 years |
| Banana trees | 10 years |
| Stone fruit trees | 25 years |
| Pome fruit trees | 25 years |

The useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support these useful lives.

Depreciation is not provided on freehold land. Depreciation on other assets is calculated on a straight line basis over their estimated useful lives as follows:

| | |
|---|---|
| Plant and equipment | 3 - 20 years |
| Motor vehicles | 5 years |
| Freehold improvements | 7 – 40 years |
| Leasehold improvements | 10 – 40 years |
| Buildings | 40 years |

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial period.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of assets are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.10 Property, plant and equipment - continued**

**Derecognition of property, plant and equipment**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**3.11 Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at indexed cost, less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at indexed cost less accumulated impairment losses.

**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**3.12 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.13 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.13 Leasing - continued**

**The Group as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**The Group as lessee**

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**3.14 Provisions**

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the amount of the obligation; and
- a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Onerous contract**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**Restructurings**

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.15 Retirement benefit costs**

The Ariston Holdings Limited Group contributes to a defined contribution plan for the benefit of certain eligible employees. The fund is administered by a life assurance society. In addition, all Group employees contribute to the defined contribution scheme established by the National Social Security Authority Act of 1989. Ariston currently has a "paid up" status and the pension fund is being reconstituted.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**3.16 Inventories**

Inventories are stated at the lower of indexed cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of inventories are determined as follows:
Farm produce - Fair value based on market value less estimated costs to sell.
Stores and materials - The lower of indexed cost and net realisable value with cost being calculated on a weighted average basis

**3.17 Revenue recognition**

**Sale of goods and rendering of services**

The model below has been applied to all contracts with customers:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The Group revenue is derived from the sale of tea, macadamia nuts, fruits and vegetables, poultry and other agricultural produce. Revenue is recognized upon the completion of the performance obligation being the delivery of the products to the customers. Revenue is recognised net of rebates and discounts provided to the customers.

**Dividend and interest income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Rental income**

The Group's policy for recognition of revenue from operating leases is described under "leasing" refer to note 3.14.

**3.18 Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the intrinsic value method.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. The reserve created is transferred to share premium and share capital as options are exercised. For options that expire or are forfeited, the value relating to the expired or forfeited options is transferred to distributable reserves.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.18 Share-based payments - continued**

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

**3.19 Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Transactions with other related parties such as directors, key management and shareholders are made at arm's length. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts, in respect of the amounts owed by related parties.

The directors have assessed the recoverability of the receivables and are confident that the related parties' balances are recoverable.

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES**

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgements and key sources of estimation uncertainties that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**4.1 Biological Assets**

**Estimate of biological produce quantities**

The biological produce on bearer assets at year-end is based on the estimated production for the produce at the point of maturity and is adjusted accordingly based on the stage of maturity at year-end.

**Selling prices**

Average selling prices for agricultural produce are quoted in Zimbabwe dollars (ZWL) for produce sold locally and US$ translated to ZWL for exported produce. The current average selling prices at year end are used as the best estimate of future prices. Reference is also made to contracts post year-end which provide market-related information about pricing at year-end.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES - continued

### 4.2 Inventories

Inventories are stated at the lower of indexed cost and net realisable value. Adjustments to reduce the cost of inventory to its net realisable value, if required, are made at the product level for estimated excess, obsolescence or damages. Factors influencing these adjustments include changes in demand, physical deterioration and quality issues.

### 4.3 Allowance for credit losses

When measuring expected credit losses (ECLs), the Group uses reasonable and supportable forward looking information, which is based on assumptions for future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cashflows due and those the lender would expect to receive, taking into account cashflows from collateral and integral credit enhancements. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

### 4.4 Property, plant and equipment

The indexed cost of property, plant and equipment is depreciated over the estimated useful life of the asset. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme and technological obsolescence arising from changes and residual value. Management has assumed the residual value approximates nil due to the specialised nature and relative age of the property, plant and equipment with the exception of land and buildings.

Tea bushes, macadamia trees, avocado trees, banana trees, stone fruit trees and pome fruit trees are shown in the consolidated statement of financial position at indexed cost less accumulated depreciation and impairment charges under the 'bearer plants' category within property, plant and equipment. An assessment was made in order to determine whether the value of bearer plants were impaired at year-end.

**Key assumptions in determining the value in use included:**

**Estimated annual production**

This was based on historical average annual production adjusted for projected growth which provided the best possible estimate of the future generating capacity of the business.

**Selling prices**

The current average selling prices at year-end were used as the best estimate of future prices. Reference is also made to contracts post year-end which provide market related information about pricing at year-end.

**Discount rate**

The discount rate of 26% was based on the Group's weighted average cost of capital (WACC) determined basing on the Group's capital structure at year-end. Cost of borrowings was determined as the weighted average costs of the Group's borrowings at year-end. The cost of equity was determined using the capital asset pricing model (CAPM).

### 4.5 Land

The Group has not recognised the value of land because the current legislation in the country vests all the land in the State. However, the Group still holds title deeds to the land that it operates on. In 2003, the Group entered into an agreement with the Government where it ceded part of the land for resettlement and the Government undertook to preserve the Group’s operations on the remaining land. To date, the Group’s operations have largely not been affected and the Group is of the view that this will remain so, going forward.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES - continued**

**4.6 Classification of the Group's Investment in Claremont Power Station as a joint venture**

Note 12 describes that Claremont Power Station is a 50% joint venture of the Group although the Group owns a 55% ownership interest in Claremont Power Station. The contractual agreement with Goldsaif (Private) Limited and other facts and circumstances that indicate that both parties to the joint arrangement have 50% voting rights to the net assets of the joint arrangement. The contractual arrangement establishes that the parties are liable to the arrangement only to the extent of their respective interests in the arrangements, which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture. Accordingly, Claremont Power Station is classified as a joint venture of the Group. See note 12 for details.

**4.7 The use of Consumer Price Indices (CPIs) to determine inflation adjustment factors for application of IAS 29**

On application of the requirements of IAS29, the Group used indices and conversion factors derived from the Consumer Price Index (CPI) information compiled by the Central Statistical Office to restate financial information to cater for the changes in the General Purchasing Power of the Zimbabwean Dollar (ZWL).

**4.8 Determination of functional currency and exchange rates**

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) 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 currencies. Consequently, there was also an increase in the practice of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, despite a legislative framework manating parity. On 20 February 2019, it was announced that the RTGS Dollar would be recognised as the official currency and that an inter-bank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. The exchange rate between the RTGS$ and the US$ was fixed at a rate of 1:1 for the period 1 October 2018 up to the effective date. However the official inter-bank exchange rate post 22 February 2019 was RTGS$2.5: US$1.

As a result of the lack of an observable legal exchange rate from 1 October 2018 to 20 February 2019, management has applied judgement in the estimation and application of the exchange rate of the RTGS$ to the US$.

The Group and Company complied with SI (33) in the financial statements prepared for historical cost purposes 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 and Company.

**5. SEGMENT REPORTING**

For management purposes, the Group is organised into three major operating business units namely Southdown Estates, Claremont Estate and Kent Estate. These business units are the basis on which the Group reports its business segment information.

The principal products and services of each of these divisions are as follows:
Southdown Estates - the growing and manufacturing of tea, macadamia nuts, avocados, bananas and potatoes.
Claremont Estate - the growing of pome and stone fruit and potatoes.
Kent Estate - the growing of horticultural crops, and rearing of poultry and livestock.

The Group does not report by geographical segments as such a split would not be meaningful for the Group's operations and decision-making processes.

# Notes to the Financial Statements - Continued
For the year ended 30 September 2019

**5. SEGMENT REPORTING - continued**

**5.1 Segment revenues**

**INFLATION ADJUSTED**

| | External Sales | | Inter-Segment Sales | | Total Sales | |
|---|---|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Southdown Estates | 83,149,909 | 51,291,781 | - | - | 83,149,909 | 51,291,781 |
| Claremont Estate | 10,912,556 | 6,549,986 | - | - | 10,912,556 | 6,549,986 |
| Kent Estate | 7,786,521 | 6,167,876 | - | - | 7,786,521 | 6,167,876 |
| **Total** | **101,848,986** | **64,009,643** | **-** | **-** | **101,848,986** | **64,009,643** |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: ZWL nil).

**HISTORICAL COST**

| | External Sales | | Inter-Segment Sales | | Total Sales | |
|---|---|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Southdown Estates | 36,311,318 | 11,322,689 | - | - | 36,311,318 | 11,322,689 |
| Claremont Estate | 5,122,118 | 1,445,913 | - | - | 5,122,118 | 1,445,913 |
| Kent Estate | 6,693,440 | 1,361,562 | - | - | 6,693,440 | 1,361,562 |
| **Total** | **48,126,876** | **14,130,164** | - | - | **48,126,876** | **14,130,164** |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: ZWL nil).

**5.2 Revenue from major products and services**

The following is an analysis of revenue arising from the Group's major products and services.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Tea | 31,077,796 | 25,093,491 | 15,107,379 | 5,539,402 |
| Macadamia nuts | 44,761,788 | 23,783,832 | 21,384,337 | 5,250,294 |
| Vegetables and fruits | 18,089,135 | 10,598,945 | 9,191,866 | 2,339,723 |
| Poultry | 2,416,587 | 3,083,603 | 1,174,739 | 680,707 |
| Other | 5,503,680 | 1,449,772 | 1,268,555 | 320,038 |
| **Total** | **101,848,986** | **64,009,643** | **48,126,876** | **14,130,164** |

**Timing of revenue recognition**

Revenue from the sale of tea, macadamia nuts, fruits and vegetables, poultry and other agricultural produce is recognised at a point in time upon delivery, as management considers it as the point the control of the goods is transferred to the customers and the delivery obligation is fulfilled. Settlement of the transaction price is receivable at this point, after derecognising any existing contract liabilities recognised in the past in respect of a portion of the transaction price of such goods transferred.

Management expects that 100% of the transaction price allocated to all unsatisfied contracts as of the year ended 30 September 2019 will be recognised as revenue during the next reporting period.

## 5. SEGMENT REPORTING - continued

### 5.2 Revenue from major products and services - continued

**Information about major customers**

Included in inflation-adjusted revenues arising from sales of tea of ZWL31,077,796 (2018: ZWL25,093,491) are revenues of approximately ZWL3,779,160 (2018: ZWL2,196,692) which arose from sales to the Group's largest customer which operates in the retail market.

Included in inflation-adjusted revenues arising from sales of macadamia nuts of ZWL44,761,788 (2018: ZWL23,783,832) are revenues of approximately ZWL32,678,932 (2018: ZWL21,222,783) which arose from sales to two of the Group's foreign customers.

### 5.3 Major goods and services per primary geographical markets

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Zimbabwe | 22,300,163 | 25,278,552 | 17,119,068 | 5,580,254 |
| Asia | 47,066,962 | 23,177,077 | 16,930,562 | 5,116,353 |
| United Kingdom | 24,412,283 | 13,496,819 | 10,714,922 | 2,979,430 |
| Rest of world | 8,069,578 | 2,057,195 | 3,362,324 | 454,127 |
| | **101,848,986** | **64,009,643** | **48,126,876** | **14,130,164** |

### 5.4 Contract liabilities

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Macadamia Nuts | 26,535,621 | 1,019,572 | 23,704,579 | 225,071 |
| | **26,535,621** | **1,019,572** | **23,704,579** | **225,071** |
| Current | 26,535,621 | 1,019,572 | 23,704,579 | 225,071 |
| Non-current | - | - | - | - |
| | **26,535,621** | **1,019,572** | **23,704,579** | **225,071** |

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Revenue recognised | 765,241 | 166,668 | 225,071 | 36,792 |
| | **765,241** | **166,668** | **225,071** | **36,792** |

**5. SEGMENT REPORTING - continued**

**5.5 Segment results**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| **Segment profit/(loss) from operations excluding fair value adjustments** | | | | |
| Southdown Estates | 40,875,848 | 16,326,088 | 23,458,485 | 3,603,993 |
| Claremont Estate | 950,230 | (889,914) | (216,769) | (196,449) |
| Kent Estate | 2,738,810 | (1,434,914) | 2,265,633 | (316,758) |
| Ariston Corporate Office | 4,044,558 | 3,072,242 | (33,883) | 678,199 |
| | **48,609,446** | **17,073,502** | **25,473,466** | **3,768,985** |
| **Segment fair value adjustments on biological assets** | | | | |
| Southdown Estates | 36,003,919 | 1,159,109 | 48,887,603 | 255,874 |
| Claremont Estate | 8,256,370 | 3,178,928 | 13,761,617 | 701,750 |
| Kent Estate | 1,102,626 | (228,149) | 1,553,287 | (50,364) |
| Ariston Corporate Office | - | - | - | - |
| | **45,362,915** | **4,109,888** | **64,202,507** | **907,260** |
| **Segment share of profit/(loss) of a joint venture** | | | | |
| Southdown Estates | - | - | - | - |
| Claremont Estate | - | - | - | - |
| Kent Estate | - | - | - | - |
| Ariston Corporate Office | 1,655,132 | 306,364 | 671,453 | 67,630 |
| | **1,655,132** | **306,364** | **671,453** | **67,630** |
| **Segment finance costs** | | | | |
| Southdown Estates | (1,315,930) | (384,261) | (646,568) | (84,826) |
| Claremont Estate | (1,917,342) | (2,292,556) | (1,444,110) | (506,083) |
| Kent Estate | (1,598,588) | (2,222,219) | (1,244,301) | (490,556) |
| Ariston Corporate Office | - | - | - | - |
| | **(4,831,860)** | **(4,899,036)** | **(3,334,979)** | **(1,081,465)** |
| **Segment income tax expense** | | | | |
| Southdown Estates | (21,254,148) | (4,156,529) | (13,008,598) | (917,556) |
| Claremont Estate | (7,822,239) | 625,788 | (4,787,600) | 138,143 |
| Kent Estate | (4,145,582) | 563,555 | (2,537,303) | 124,405 |
| Ariston Corporate Office | (2,932,471) | (694,372) | (1,794,819) | (153,283) |
| | **(36,154,440)** | **(3,661,558)** | **(22,128,320)** | **(808,291)** |
| **Segment results before exchange differences and monetary adjustments** | **54,641,193** | **12,929,160** | **64,884,127** | **2,854,119** |
| Exchange differences | (50,387,519) | - | (40,363,251) | - |
| Monetary adjustment | 50,744,992 | - | - | - |
| **Profit for the year** | **54,998,666** | **12,929,160** | **24,520,876** | **2,854,119** |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in notes 2 to 4. Segment results represents the profit or loss earned by each segment without allocation of inter-segment cost recoveries from the Corporate Office segment; this is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. Head office administration costs, investment income and other gains and losses are reported under the Ariston Corporate Office segment.

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

**5. SEGMENT REPORTING - continued**

**5.6 Segment assets and liabilities**

**INFLATION ADJUSTED**

| All figures in ZWL | Assets (excluding inter-segment balances) 2019 | Assets (excluding inter-segment balances) 2018 | Net inter-segment balances 2019 | Net inter-segment balances 2018 | Liabilities (excluding inter-segment balances) 2019 | Liabilities (excluding inter-segment balances) 2018 |
|---|---|---|---|---|---|---|
| Southdown Estates | 177,325,486 | 120,025,652 | 24,602,715 | (1,901,585) | (29,689,444) | (6,380,519) |
| Claremont Estate | 41,155,495 | 30,107,503 | (11,665,202) | (41,867,338) | (1,645,832) | (1,524,295) |
| Kent Estate | 17,622,056 | 11,354,431 | (9,507,392) | (33,955,480) | (1,278,916) | (3,378,148) |
| Ariston Corporate Office | 33,329,053 | 29,563,080 | (3,430,121) | 77,724,403 | (48,769,066) | (82,091,731) |
| Adjustments and eliminations | - | 19,030,036 | - | - | (55,943,786) | (39,492,884) |
| | **269,432,090** | **210,080,702** | **-** | **-** | **(137,327,044)** | **(132,867,577)** |

**HISTORICAL COST**

| All figures in ZWL | Assets (excluding inter-segment balances) 2019 | Assets (excluding inter-segment balances) 2018 | Net inter-segment balances 2019 | Net inter-segment balances 2018 | Liabilities (excluding inter-segment balances) 2019 | Liabilities (excluding inter-segment balances) 2018 |
|---|---|---|---|---|---|---|
| Southdown Estates | 94,703,445 | 26,495,729 | 23,319,013 | (419,776) | (26,868,939) | (1,408,503) |
| Claremont Estate | 22,951,275 | 6,646,248 | (11,659,344) | (9,242,238) | (1,645,834) | (336,489) |
| Kent Estate | 8,252,702 | 2,506,497 | (9,437,822) | (7,495,691) | (1,278,915) | (745,728) |
| Ariston Corporate Office | 19,261,991 | 6,526,066 | (2,221,847) | 17,157,705 | (48,149,339) | (18,121,795) |
| Adjustments and eliminations | - | 4,200,891 | - | - | (25,684,234) | (8,718,076) |
| | **145,169,413** | **46,375,431** | **-** | **-** | **(103,627,261)** | **(29,330,591)** |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than current and deferred tax assets; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities; and
- liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

**5.7 Other segment information**

**INFLATION ADJUSTED**

| All figures in ZWL | EBITDA excluding fair value adjustments 2019 | EBITDA excluding fair value adjustments 2018 | Depreciation and impairment losses 2019 | Depreciation and impairment losses 2018 | Additions to non-current assets 2019 | Additions to non-current assets 2018 |
|---|---|---|---|---|---|---|
| Southdown Estates | 47,268,758 | 18,038,723 | 4,205,320 | 4,064,280 | 5,484,205 | 4,574,611 |
| Claremont Estate | 3,074,782 | (309,662) | 1,336,727 | 1,142,511 | 2,408,658 | 1,366,461 |
| Kent Estate | 4,287,601 | (537,571) | 1,548,791 | 897,343 | 4,074,501 | 1,741,423 |
| Corporate Office | 4,415,027 | 7,970,214 | 1,690,752 | 1,677,704 | 1,926,898 | 69,055 |
| **Total** | **59,046,168** | **25,161,704** | **8,781,590** | **7,781,838** | **13,894,262** | **7,751,550** |

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

**5. SEGMENT REPORTING - continued**

**5.7 Other segment information - continued**

**HISTORICAL COST**

| All figures in ZWL | EBITDA excluding fair value adjustments | | Depreciation and impairment losses | | Additions to non-current assets | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Southdown Estates | 24,443,211 | 3,982,058 | 984,726 | 897,192 | 4,344,081 | 1,009,848 |
| Claremont Estate | 93,355 | (68,358) | 316,516 | 252,210 | 1,259,488 | 301,647 |
| Kent Estate | 2,661,651 | (118,669) | 396,018 | 198,089 | 1,200,341 | 384,420 |
| Corporate Office | 1,024,576 | 1,759,429 | 380,613 | 370,354 | 728,960 | 15,244 |
| **Total** | **28,222,793** | **5,554,460** | **2,077,873** | **1,717,845** | **7,532,870** | **1,711,159** |

**6. CASH FLOW INFORMATION**

| All figures in ZWL | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **6.1 Non-cash items** | | | | |
| **GROUP** | | | | |
| Depreciation | 7,784,641 | 7,516,107 | 1,857,796 | 1,659,185 |
| Impairment losses recognised | 996,949 | 265,730 | 220,077 | 58,660 |
| Fair value adjustments of biological assets | (45,362,915) | (4,109,888) | (64,202,507) | (907,260) |
| (Profit)/loss on sale of property, plant and equipment | (8,703) | 19,362 | (7,362) | 4,274 |
| Profit on sale of investments | - | (291,505) | - | (64,350) |
| Share of profit of a joint venture | (1,655,132) | (306,364) | (671,453) | (67,630) |
| Unrealised exchange losses | 34,518,703 | - | 34,518,703 | - |
| IFRS 9 adoption | (106,745) | | (23,564) | |
| | **(3,833,203)** | **3,093,442** | **(28,308,311)** | **682,879** |
| **COMPANY** | | | | |
| Profit on sale of investments | - | (291,506) | - | (64,350) |
| Other non cash movements | (43,848,629) | - | - | - |
| | **(43,848,629)** | **(291,506)** | **-** | **(64,350)** |
| **6.2 Change in working capital** | | | | |
| **GROUP** | | | | |
| Movements in: | | | | |
| Increase in inventories | (1,706,500) | (3,782,034) | (4,163,538) | (834,886) |
| Increase in trade and other receivables | (20,376,014) | (3,412,390) | (23,999,059) | (753,287) |
| Increase/(decrease) in trade and other payables | 13,374,815 | (9,934,471) | 25,669,216 | (2,193,040) |
| | **(8,707,699)** | **(17,128,895)** | **(2,493,381)** | **(3,781,213)** |
| **COMPANY** | | | | |
| Decrease/(increase) in other receivables | 44,006,330 | (239,939) | 63,976 | (52,967) |
| | **44,006,330** | **(239,939)** | **63,976** | **(52,967)** |

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

**6. CASH FLOW INFORMATION - continued**

| All figures in ZWL | Inflation Adjusted 2019 | Inflation Adjusted 2018 | Historical Cost 2019 | Historical Cost 2018 |
|---|---|---|---|---|
| **6.3 Cashflows arising from interest-bearing borrowings** | | | | |
| **Opening balance** | | | | |
| Short term | 9,684,461 | 19,289,900 | 2,137,850 | 4,258,256 |
| Long term | 61,808,271 | 48,810,827 | 13,644,210 | 10,775,017 |
| | **71,492,732** | **68,100,727** | **15,782,060** | **15,033,273** |
| **Proceeds from borrowings** | | | | |
| Short term | 8,478,110 | 9,070,043 | 4,080,000 | 2 002 217 |
| Long term | 1,407,382 | 27,058,528 | 1,269,128 | 5,973,185 |
| | **9,885,492** | **36,128,571** | **5,349,128** | **7,975,402** |
| **Repayments of borrowings** | | | | |
| Short term | (9,862,119) | (22,395,604) | (2,807,822) | (4,943,842) |
| Long term | (22,530,331) | (10,340,962) | (7,637,400) | (2,282,773) |
| | **(32,392,450)** | **(32,736,566)** | **(10,445,222)** | **(7,226,615)** |
| **Non cash movements** | | | | |
| Short term | (4,520,741) | 3,720,122 | 369,683 | 821 219 |
| Long term | 1,265,040 | (3,720,122) | 35,110,290 | (821,219) |
| | **(3,255,701)** | **-** | **35,479,973** | **-** |
| **Accrued interest** | | | | |
| Short term | - | - | - | - |
| Long term | 1,080,476 | - | 644,609 | - |
| | **1,080,476** | **-** | **644,609** | **-** |
| **Closing balance** | | | | |
| Short term | 3,779,711 | 9,684,461 | 3,779,711 | 2,137,850 |
| Long term | 43,030,838 | 61,808,271 | 43,030,837 | 13,644,210 |
| | **46,810,549** | **71,492,732** | **46,810,548** | **15,782,060** |
| **6.4 Cashflows arising from finance lease liabilities** | | | | |
| **Opening balance** | | | | |
| Short term | 968,863 | 316,085 | 213,877 | 69,776 |
| Long term | 721,063 | 381,335 | 159,175 | 84,180 |
| | **1,689,926** | **697,420** | **373,052** | **153,956** |
| **Proceeds from finance leases** | | | | |
| Short term | - | - | - | - |
| Long term | 2,761,286 | 1,332,232 | 1,000,466 | 294,091 |
| | **2,761,286** | **1,332,232** | **1,000,466** | **294,091** |
| **Repayments of finance leases** | | | | |
| Short term | (1,176,506) | (339,726) | (367,658) | (74,995) |
| Long term | - | - | - | - |
| | **(1,176,506)** | **(339,726)** | **(367,658)** | **(74,995)** |
| **Non cash movements** | | | | |
| Short term | 53,862 | - | - | - |
| Long term | (2,322,708) | - | - | - |
| | **(2,268,846)** | **-** | **-** | **-** |
| **Reclassifications** | | | | |
| Short term | 505,832 | 992,505 | 505,832 | 219,096 |
| Long term | (505,832) | (992,505) | (505,832) | (219,096) |
| | **-** | **-** | **-** | **-** |
| **Closing balance** | | | | |
| Short term | 352,051 | 968,864 | 352,051 | 213,877 |
| Long term | 653,809 | 721,062 | 653,809 | 159,175 |
| | **1,005,860** | **1,689,926** | **1,005,860** | **373,052** |

6. **CASH FLOW INFORMATION - continued**

| All figures in ZWL | Inflation Adjusted 2019 | Inflation Adjusted 2018 | Historical Cost 2019 | Historical Cost 2018 |
|---|---|---|---|---|
| **6.5 Cash and cash equivalents are made up of:** | | | | |
| - cash and bank balances | 4,598,256 | 423,383 | 4,598,256 | 93,462 |
| - bank overdrafts | - | - | - | - |
| | **4,598,256** | **423,383** | **4,598,256** | **93,462** |
| **7. PROFIT FROM OPERATIONS** | | | | |
| This is stated after charging and crediting: | | | | |
| - auditors' fees | 978,864 | 362,400 | 978,864 | 80,000 |
| - reversal of allowance for credit losses previously recognised | (3,558,864) | (676,542) | (86,303) | (149,347) |
| - depreciation | 7,784,641 | 7,516,107 | 1,857,796 | 1,659,185 |
| - impairment losses recognised | 996,949 | 265,730 | 220,077 | 58,660 |
| - (profit)/loss on sale of property, plant and equipment | (8,703) | 19,362 | (7,363) | 4,274 |
| - selling and distribution expenses | 3,736,403 | 834,304 | 1,515,782 | 184,173 |
| - staff expenses | | | | |
| * salaries and wages | 16,362,532 | 17,941,899 | 9,596,793 | 3 960 684 |
| * pensions (1) | 83,381 | 316,951 | 48,904 | 69,967 |
| - directors' emoluments | | | | |
| * fees | 151,598 | 276,330 | 61,500 | 61,000 |
| (1) The pension expense incurred is in respect of mandatory contributions for employees of the Group towards a retirement benefit plan operated by the National Social Security Authority (NSSA). | | | | |
| **8. INCOME TAX** | | | | |
| Current tax | (961,271) | - | (961,271) | - |
| Deferred tax (note 17) | (35,193,169) | (3,661,558) | (21,167,049) | (808,291) |
| | **(36,154,440)** | **(3,661,558)** | **(22,128,320)** | **(808,291)** |
| Reconciliation of income tax expense for the year | | | | |
| Notional tax at statutory rates | 0.26 | 0.26 | 0.26 | 0.26 |
| Adjustments relating to: | | | | |
| - Non-taxable items | (0.04) | (0.07) | (0.06) | (0.07) |
| - Non-deductible items | 0.18 | 0.03 | 0.27 | 0.03 |
| **Actual income tax expense** | **0.40** | **0.22** | **0.47** | **0.22** |
| **9. EARNINGS PER SHARE** | | | | |
| **(i) Basic earnings per share** | | | | |
| Profit for the year | 54,998,666 | 12,929,160 | 24,520,876 | 2,854,119 |
| Weighted average number of shares at year end | 1,627,395,595 | 1,622,445,595 | 1,627,395,595 | 1,622,445,595 |
| Basic earnings per share (ZWL) | 0.034 | 0.0080 | 0.015 | 0.0018 |
| **(ii) Diluted earnings per share** | | | | |
| Weighted average number of shares used in the calculation of basic loss per share | 1,627,395,595 | 1622 445 595 | 1,627,395,595 | 1622 445 595 |
| Weighted average number of shares at year end | 1,627,395,595 | 1,622,445,595 | 1,627,395,595 | 1,622,445,595 |
| Diluted earnings per share (ZWL) | 0.034 | 0.0080 | 0.015 | 0.0018 |

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| **Land, buildings and leasehold improvements** | | | | |
| At cost | 76,820,915 | 75,778,690 | 16,841,607 | 16,728,188 |
| Accumulated depreciation | (52,750,491) | (50,814,854) | (11,617,161) | (11,217,407) |
| **Net carrying amount** | **24,070,424** | **24,963,836** | **5,224,446** | **5,510,781** |
| **Plant and equipment** | | | | |
| At cost | 131,626,507 | 123,283,660 | 31,602,590 | 27,214,936 |
| Accumulated depreciation and impairment | (110,093,542) | (107,143,963) | (24,361,597) | (23,652,089) |
| **Net carrying amount** | **21,532,965** | **16,139,697** | **7,240,993** | **3,562,847** |
| **Bearer plants** | | | | |
| At cost | 112,507,505 | 111,329,833 | 25,060,271 | 24,576,122 |
| Accumulated depreciation | (12,075,351) | (9,099,936) | (2,665,640) | (2,008,816) |
| **Net carrying amount** | **100,432,154** | **102,229,897** | **22,394,631** | **22,567,306** |
| **Motor vehicles** | | | | |
| At cost | 14,526,759 | 12,648,091 | 4,316,147 | 2,792,073 |
| Accumulated depreciation | (8,856,451) | (8,822,936) | (2,023,007) | (1,947,668) |
| **Net carrying amount** | **5,670,308** | **3,825,155** | **2,293,140** | **844,405** |
| **Assets held under finance lease** | | | | |
| At cost | 4,514,650 | 3,195,435 | 1,705,860 | 705,394 |
| Accumulated depreciation | (1,604,688) | (844,197) | (401,172) | (186,357) |
| **Net carrying amount** | **2,909,962** | **2,351,238** | **1,304,688** | **519,037** |
| **Total property, plant and equipment** | | | | |
| At cost | 339,996,336 | 326,235,709 | 79,526,475 | 72,016,713 |
| Accumulated depreciation and impairment | (185,380,523) | (176,725,886) | (41,068,577) | (39,012,337) |
| **Net carrying amount** | **154,615,813** | **149,509,823** | **38,457,898** | **33,004,376** |
| **Reconciliation of movements for the period** | | | | |
| Carrying amount at the beginning of period | 149,509,823 | 149,626,517 | 33,004,376 | 33,030,136 |
| **Additions at cost** | | | | |
| Property plant and equipment excluding bearer plants | | | | |
| - land, buildings and leasehold improvements | 1,042,225 | 582,683 | 113,419 | 128,628 |
| - plant and equipment | 8,342,847 | 5,180,381 | 4,387,654 | 1,143,572 |
| - motor vehicles | 2,012,303 | 213,354 | 1,553,574 | 47,098 |
| - assets held under finance lease | 1,319,215 | 635,069 | 1,000,466 | 140,192 |
| | **12,716,590** | **6,611,487** | **7,055,113** | **1,459,490** |
| Bearer plants | 1,177,672 | 1,140,061 | 477,757 | 251,669 |
| **Total additions** | **13,894,262** | **7,751,548** | **7,532,870** | **1,711,159** |

## 10. PROPERTY, PLANT AND EQUIPMENT - continued

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| All figures in ZWL | 2019 | 2018 | 2019 | 2018 |
| **Disposals at carrying amount** | | | | |
| plant and equipment | - | (6,048) | - | (1,335) |
| - cost | | (11,461) | - | (2,530) |
| - accumulated depreciation | | 5,413 | - | 1,195 |
| motor vehicles | (6,682) | (80,357) | (1,475) | (17,739) |
| - cost | (133,635) | (195,723) | (29,500) | (43,206) |
| - accumulated depreciation | 126,953 | 115,366 | 28,025 | 25,467 |
| | **(6,682)** | **(86,405)** | **(1,475)** | **(19,074)** |
| **Impairment loss for the year** | | | | |
| - plant and equipment | (996,949) | (265,730) | (220,077) | (58,660) |
| | **(996,949)** | **(265,730)** | **(220,077)** | **(58,660)** |
| **Depreciation for the year** | | | | |
| - land, buildings and leasehold improvements | (1,935,637) | (1,636,272) | (399,754) | (361,208) |
| - plant and equipment | (1,952,630) | (2,393,480) | (483,039) | (528,362) |
| - bearer plants | (2,975,415) | (2,913,904) | (656,824) | (643,246) |
| - motor vehicles | (160,468) | (284,991) | (103,364) | (62,912) |
| - assets held under finance lease | (760,491) | (287,460) | (214,815) | (63,457) |
| | **(7,784,641)** | **(7,516,107)** | **(1,857,796)** | **(1,659,185)** |
| **Carrying amount at end of the period** | **154,615,813** | **149,509,823** | **38,457,898** | **33,004,376** |

**Assets pledged as security**

Freehold land and buildings with a carrying amount of ZWL23,199,105 (2018: ZWL24,963,836) inflation adjusted have been pledged to secure borrowings of the Group (see note 19). The Group is not allowed to pledge these assets as security of other borrowings or to sell them to another entity.

**Impairment loss recognised**

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

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

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

## 11. BIOLOGICAL ASSETS

### INFLATION ADJUSTED

**30 September 2019**

| | Produce growing on bearer plants | | | | | | |
|---|---|---|---|---|---|---|---|
| **All figures in ZWL** | **Tea on bush** | **Macadamia on tree** | **Fruits on tree** | **Livestock and poul-try** | **Timber** | **Seasonal crops** | **Total** |
| Carrying amount at the beginning of the year | 966,937 | 14,109,179 | 7,573,295 | 641,068 | 833,792 | 52,321 | 24,176,592 |
| Fair value adjustments | 1,289,286 | 32,229,980 | 10,174,577 | 1,620,701 | 86,508 | (38,137) | 45,362,915 |
| **Carrying amount at the end of the year** | **2,256,223** | **46,339,159** | **17,747,872** | **2,261,769** | **920,300** | **14,184** | **69,539,503** |
| Current | 2,256,223 | 46,339,159 | 17,747,872 | 339,688 | - | 14,184 | 66,697,126 |
| Non-current | - | - | - | 1,922,081 | 920,300 | - | 2,842,381 |
| | **2,256,223** | **46,339,159** | **17,747,872** | **2,261,769** | **920,300** | **14,184** | **69,539,507** |

**30 September 2018**

| | Produce growing on bearer plants | | | | | | |
|---|---|---|---|---|---|---|---|
| **All figures in ZWL** | **Tea on bush** | **Macadamia on tree** | **Fruits on tree** | **Livestock and poul-try** | **Timber** | **Seasonal crops** | **Total** |
| Carrying amount at the beginning of the year | 791,975 | 13,183,369 | 4,386,766 | 545,186 | 833,792 | 325,616 | 20,066,704 |
| Fair value adjustments | 174,962 | 925,810 | 3,186,529 | 95,882 | - | (273,295) | 4,109,888 |
| **Carrying amount at the end of the year** | **966,937** | **14,109,179** | **7,573,295** | **641,068** | **833,792** | **52,321** | **24,176,592** |
| Current | 966,937 | 14,109,179 | 7,573,295 | 231,461 | - | 52,321 | 22,933,193 |
| Non-current | - | - | - | 409,607 | 833,792 | - | 1,243,399 |
| | **966,937** | **14,109,179** | **7,573,295** | **641,068** | **833,792** | **52,321** | **24,176,592** |

**11. BIOLOGICAL ASSETS - continued**

**HISTORICAL COST**

**30 September 2019**

| All figures in ZWL | Produce growing on bearer plants: Tea on bush | Macadamia on tree | Fruits on tree | Livestock and poutry | Timber | Seasonal crops | Total |
|---|---|---|---|---|---|---|---|
| Carrying amount at the beginning of the year | 213,452 | 3,114,609 | 1,671,809 | 141,516 | 184,060 | 11,550 | 5,336,996 |
| Fair value adjustments | 2,042,767 | 43,224,550 | 16,076,063 | 2,120,252 | 736,240 | 2,635 | 64,202,507 |
| **Carrying amount at the end of the year** | **2,256,219** | **46,339,159** | **17,747,872** | **2,261,768** | **920,300** | **14,185** | **69,539,503** |
| Current | 2,256,219 | 46,339,159 | 17,747,872 | 339,687 | - | 14,185 | 66,697,122 |
| Non-current | - | - | - | 1,922,081 | 920,300 | - | 2,842,381 |
| | **2,256,219** | **46,339,159** | **17,747,872** | **2,261,768** | **920,300** | **14,185** | **69,539,503** |

**30 September 2018**

| All figures in ZWL | Produce growing on bearer plants: Tea on bush | Macadamia on tree | Fruits on tree | Livestock and poutry | Timber | Seasonal crops | Total |
|---|---|---|---|---|---|---|---|
| Carrying amount at the beginning of the year | 174,829 | 2,910,236 | 968,381 | 120,350 | 184,060 | 71,880 | 4,429,736 |
| Fair value adjustments | 38,623 | 204,373 | 703,428 | 21,166 | - | (60,330) | 907,260 |
| **Carrying amount at the end of the year** | **213,452** | **3,114,609** | **1,671,809** | **141,516** | **184,060** | **11,550** | **5,336,996** |
| Current | 213,452 | 3,114,609 | 1,671,809 | 51,095 | - | 11,550 | 5,062,515 |
| Non-current | - | - | - | 90,421 | 184,060 | - | 274,481 |
| | **213,452** | **3,114,609** | **1,671,809** | **141,516** | **184,060** | **11,550** | **5,336,996** |

Biological assets comprise of produce growing on the bearer plants, seasonal crops, livestock and poultry and timber. Produce growing on bearer plants is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows. The fair value was determined by the maturity profile of the produce on the bearer plant at time of reporting and the average selling price of the produce less costs to sell. The fair value for livestock and poultry and gum trees was determined by reference to the market price.

The Group is exposed to financial risks arising from changes in commodity prices. The Group does not anticipate that commodity prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in commodity prices. The Group reviews its outlook for commodity prices regularly in considering the need for active financial risk management. During the dry season the risk of damage from fire is significant. The Group reduces this risk in the best possible manner by implementing appropriate fire prevention measures such as clearing underbush ahead of the dry season, constructing fire breaks and 24-hour surveillance. Climate and weather changes pose the risk of damage and affect productivity and quality. Other mitigating measures include irrigation and other good agricultural practices such as pruning and fertilisation depending on seasons. In addition, stone fruit and pome fruit plantations are insured for hail risk. The Group has not obtained insurance coverage for the plantations as the premium will be excessive in relation to the expected losses.

**11. BIOLOGICAL ASSETS - continued**

Below is an analysis of the degree of sensitivity of the profit or loss to a 1% movement in the average selling prices of produce.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 30 September 2019 | | 30 September 2019 | |
| All figures in ZWL | 1% increase | 1% decrease | 1% increase | 1% decrease |
| **Average selling price sensitivity** | | | | |
| Increase/(decrease) in profits | 765,424 | (765,424) | (765,424) | (765,424) |

Below is an analysis of the degree of sensitivity of profit or loss to a 2% reduction in the estimated equivalent mature units of growing crops at year end.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 30 September 2019 | | 30 September 2019 | |
| All figures in ZWL | 2% increase | 2% decrease | 2% increase | 2% decrease |
| **Maturity sensitivity** | | | | |
| Increase/(decrease) in profits | 1,338,071 | (1,338,071) | 1,338,071 | (1,338,071) |

**Fair value hierarchy**

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 inputs are the inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
Level 3 inputs are unobservable inputs for the asset or liability.

In determining the fair values of the biological assets as stated above, the Group used the level 1 and level 2 fair value hierarchy as shown below.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 30 September 2019 | | 30 September 2019 | |
| All figures in ZWL | 2019 | 2018 | 2019 | 2018 |
| Level 1 inputs | 2,261,768 | 641,068 | 2,261,768 | 641,068 |
| Level 2 Inputs | 67,277,739 | 23,535,524 | 67,277,739 | 23,535,524 |
| **Total biological assets** | **69,539,507** | **24,176,592** | **69,539,507** | **24,176,592** |

**12. INVESTMENT IN JOINT VENTURE**

Details of the Group's investments in joint ventures at the end of the reporting period are as follows:

| | Principal activity | Place of incorporation and principal place of business | Proportion of ownership interests held by the Group | | Proportion of voting rights held by the Group | |
|---|---|---|---|---|---|---|
| Name of Joint venture | | | 2019 | 2018 | 2019 | 2018 |
| Bonemarrow Investments (Private) Limited trading as Claremont Power Station | Hydro Electricity Generation | Zimbabwe | 55% | 55% | 50% | 50% |

The above joint venture is accounted for using the equity method in these consolidated financial statements.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| All figures in ZWL | 2019 | 2018 | 2019 | 2018 |
| **Summarised financial information:** | | | | |
| Carrying amount at the beginning of the year | 306,364 | - | 67,630 | - |
| Group's share of profit for the year | 1,655,132 | 306,364 | 671,453 | 67,630 |
| **Carrying amount of the Group's net interest in joint venture** | **1,961,496** | **306,364** | **739,083** | **67,630** |

## 13. INVESTMENTS

### COMPANY

| All figures in ZWL | Inflation Adjusted 2019 | Inflation Adjusted 2018 | Historical Cost 2019 | Historical Cost 2018 |
|---|---|---|---|---|
| Unquoted shares in subsidiaries | 40,765 | 40,765 | 8,999 | 8,999 |
| | **40,765** | **40,765** | **8,999** | **8,999** |

Details of the Group's principal subsidiaries, all incorporated in Zimbabwe at 30 September 2019 are as follows:

| Name of Subsidiary | Ownership Interest | Principal Activity |
|---|---|---|
| Claremont Orchards 1988 (Private) Limited | 100% | Property Company |
| Claremont Orchards Holdings (Private) Limited | 100% | Property Company |
| Southdown Holdings (Private) Limited | 100% | Property Company |
| Ariston Management Services (Private) Limited | 100% | Owns the following divisions:<br>Southdown Estate,<br>Clearwater Estate,<br>Roscommon Estate,<br>Blended Tea Factory,<br>Claremont Estate,<br>Kent Estate, and<br>Corporate Head Office |

## 14. INVENTORIES

| All figures in ZWL | Inflation Adjusted 2019 | Inflation Adjusted 2018 | Historical Cost 2019 | Historical Cost 2018 |
|---|---|---|---|---|
| Farm produce | 2,764,091 | 3,120,993 | 1,615,983 | 688,961 |
| Stores and materials | 7,642,600 | 5,579,198 | 4,468,127 | 1,231,611 |
| | **10,406,691** | **8,700,191** | **6,084,110** | **1,920,572** |

The cost of inventories recognised as an expense includes ZWLnil (2018: ZWLnil) in respect of write-downs of inventory to net realisable value. Inventory write-downs relate to products that would have gone wholly or partly unsalable and those whose selling prices have declined below the cost.

## 15. TRADE AND OTHER RECEIVABLES

### INFLATION ADJUSTED

| All figures in ZWL | Company 2019 | Company 2018 | Group 2019 | Group 2018 |
|---|---|---|---|---|
| Trade receivables | - | - | 7,800,319 | 7,195,810 |
| Allowance for credit losses | - | - | (8,111) | (2,572,673) |
| Net trade receivables | - | - | 7,792,208 | 4,623,137 |
| | | | | |
| Other receivables and prepayment* | 12,384,283 | 56,390,613 | 21,407,432 | 5,088,046 |
| Allowance for credit losses | - | - | (782,568) | (1,776,870) |
| IFRS 9 adjustment on adoption | - | - | (106,745) | - |
| Net other receivables | 12,384,283 | 56,390,613 | 20,518,119 | 3,309,550 |
| | | | | |
| Trade and other receivables | 12,384,283 | 56,390,613 | 29,207,751 | 12,283,856 |
| Allowance for credit losses | - | - | (897,424) | (4,349,543) |
| **Net trade and other receivables** | **12,384,283** | **56,390,613** | **28,310,327** | **7,934,313** |

*Other receivables and prepayments of ZWL 12,384,283 (2018: ZWL 56,390,613) included under the Company relate to amounts receivable by the Company from Ariston Management Services (Private) Limited, a wholly owned subsidiary of the Company.

## 15. TRADE AND OTHER RECEIVABLES - continued

### HISTORICAL COST

| | Company | | Group | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Trade receivables | - | - | 7,800,319 | 1,588,479 |
| Allowance for credit losses | - | - | (8,111) | (567,919) |
| Net trade receivables | - | - | 7,792,208 | 1,020,560 |
| Other receivables and prepayment | 12,384,283 | 12,448,259 | 18,847,669 | 1,123,189 |
| Allowance for credit losses | - | - | (865,750) | (392,245) |
| IFRS 9 adjustment on adoption | - | - | (23,564) | - |
| Net other receivables | 12,384,283 | 12,448,259 | 17,958,355 | 730,994 |
| Trade and other receivables | 12,384,283 | 12,448,259 | 26,647,988 | 2,711,668 |
| Allowance for credit losses | - | - | (897,425) | (960,164) |
| **Net trade and other receivables** | **12,384,283** | **12,448,259** | **25,750,563** | **1,751,504** |

Other receivables and prepayments of ZWL 12,384,283 (2018: ZWL 12,448,259) included under the Company relate to amounts receivable by the Company from Ariston Management Services (Private) Limited, a wholly owned subsidiary of the Company.

Included in Other receivables and prepayments for the Group of ZWL18,847,669 (2018: ZWL 1,123,189) is an amount receivable from a related party of ZWL11,107,605 (2018:ZWL nil) which pertains to funds received from customers in advance for macadamia sales. These funds are receivable on demand.

The average credit period on sales of goods is 58 days (2018: 25 days). No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade and other receivables at an amount equal to lifetime ECL. The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off trade and other receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade and other receivables based on the Company's provision matrix.

| | Trade receivables | | | |
|---|---|---|---|---|
| | | Not past due | Past due | |
| **All figures in ZWL** | **Total** | **<30 days** | **31 - 90 days** | **>90 days** |
| Expected credit loss rate | | 0% | 0% | 0% |
| Expected total gross carrying | 7,800,319 | 5,508,218 | 2,263,709 | 28,392 |
| Amount at default | - | - | - | - |
| Lifetime expected credit loss | (8,111) | - | (8,111) | - |

**Movement in allowance for credit losses**

| | Group | | | |
|---|---|---|---|---|
| | Inflation Adjusted | | Historical Cost | |
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Balance at beginning of the year | 4,349,543 | 5,026,085 | 960,164 | 1,109,511 |
| IFRS 9 adjustment | 106,745 | - | 23,564 | - |
| Impairment losses written back | (3,558,864) | (676,542) | (86,303) | (149,347) |
| **Balance at the end of the year** | **897,424** | **4,349,543** | **897,425** | **960,164** |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Disclosure on concentration risk is shown on note 5 and note 22.

## 16. SHARE CAPITAL

| | Number Of Shares | |
|---|---|---|
| AUTHORISED SHARE CAPITAL | 2019 | 2018 |
| Issued shares at the end of the year | 1,627,395,595 | 1,627,395,595 |
| Unissued shares | | |
| - Shares under the control of directors | 29,370,286 | 29,370,286 |
| - Shares allocated to share option scheme | 23,075,000 | 23,075,000 |
| - Shares set aside under the 2016 Ariston Share Ownership Trust | 320,159,119 | 320,159,119 |
| | **2,000,000,000** | **2,000,000,000** |
| **Movement in the number of ordinary shares** | | |
| Issued | | |
| At beginning of year | 1,627,395,595 | 1,620,795,595 |
| Share issues | - | 6,600,000 |
| Share options exercised | - | - |
| **At end of year** | **1,627,395,595** | **1,627,395,595** |
| **INFLATION ADJUSTED** | | |
| 1,627,395,595 ordinary shares of ZWL0.45 cents each | | |
| 2018 - 1,627,395,595 ordinary shares of ZWL0.45 cents each | 7,372,099 | 7,372,099 |
| **HISTORICAL COST** | | |
| 1,627,395,595 ordinary shares of ZWL0.1 cents each | | |
| 2018 - 1,627,395,595 ordinary shares of ZWL0.1 cents each | 1,627,395 | 1,627,395 |

## 17. DEFERRED TAX

**COMPANY**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| All figures in ZWL | 2019 | 2018 | 2019 | 2018 |
| **Deferred tax liability** | | | | |
| At the beginning of year | 5,812 | 5,812 | 1,283 | 1,283 |
| - income statement movement (credit) (i) | - | - | - | - |
| | **5,812** | **5,812** | **1,283** | **1,283** |
| **GROUP** | | | | |
| **Deferred tax liability** | | | | |
| At the beginning of year | 39,492,884 | 39,817,739 | 8,718,076 | 8,789,788 |
| - income statement movement (credit) (i) | 16,450,902 | (324,855) | 16,966,158 | (71,712) |
| | **55,943,786** | **39,492,884** | **25,684,234** | **8,718,076** |
| **Analysis of deferred tax liability** | | | | |
| Property, plant and equipment | 31,666,769 | 33,490,367 | 7,691,580 | 7,393,017 |
| Biological assets | 33,165,583 | 5,967,469 | 26,881,220 | 1,317,322 |
| Prepayments and receivables | - | 35,048 | - | 7,737 |
| Unrealised exchange loss | (8,888,566) | - | (8,888,566) | - |
| | **55,943,786** | **39,492,884** | **25,684,234** | **8,718,076** |
| **Deferred tax asset** | | | | |
| At the beginning of the year | 19,030,036 | 23,016,449 | 4,200,891 | 5,080,894 |
| Deferred tax released to | | | | |
| - income statement movement (debit) (ii) | (19,030,036) | (3,986,413) | (4,200,891) | (880,003) |
| **Deferred tax asset arising from tax loss** | **-** | **19,030,036** | **-** | **4,200,891** |
| **Income tax (net of (i) and (ii))** | **(35,193,169)** | **(3,661,558)** | **(21,167,049)** | **(808,291)** |

# Notes to the Financial Statements - Continued

For the year ended 30 September 2019

**17. DEFERRED TAX - continued**

In current year assessed losses of ZWL1,890,401 (2018:ZWL 21,380) previously recognised as deferred tax assets expired. The assessed losses are aged as shown below:

**INFLATION ADJUSTED**

| | Group | | | |
|---|---|---|---|---|
| **All figures in ZWL** | **Total** | **Current** | **1 Year** | **2-6 years** |
| **30 September 2019** | | | | |
| Assessed losses | - | - | - | - |
| **30 September 2018** | | | | |
| Assessed losses | 19,030,036 | - | 977,058 | 18,052,979 |

**HISTORICAL COST**

| | Group | | | |
|---|---|---|---|---|
| **All figures in ZWL** | **Total** | **Current** | **1 Year** | **2-6 years** |
| **30 September 2019** | | | | |
| Assessed losses | - | - | - | - |
| **30 September 2018** | | | | |
| Assessed losses | 4,200,891 | - | 215,686 | 3,985,205 |

**18. TRADE AND OTHER PAYABLES**

**INFLATION ADJUSTED**

| | Company | | Group | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Trade | - | - | 5,380,161 | 5,832,919 |
| Other* | 73,768 | 334,168 | 28,186,689 | 14,359,116 |
| | **73,768** | **334,168** | **33,566,850** | **20,192,035** |

* included in other payables are contract liabilities arising from transaction price received in advance for macadamia amounting to ZWL 26,535,621 (2018: ZWL1,019,572).

**HISTORICAL COST**

| | Company | | Group | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Trade | - | - | 5,380,161 | 1,287,620 |
| Other* | 73,768 | 73,768 | 24,746,458 | 3,169,783 |
| | **73,768** | **73,768** | **30,126,619** | **4,457,403** |

* included in other payables are contract liabilities arising from transaction price received in advance for macadamia amounting to ZWL23,704,579 (2018: ZWL225,071).

**18. TRADE AND OTHER PAYABLES - continued**

The average credit period on purchases is 37 days (2018: 54 days). No interest is charged on the trade payables.

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| **At 30 September the ageing analysis of trade payables was as follows:** | | | | |
| Current | 3,887,492 | 709,597 | 3,887,492 | 156,644 |
| 30-120 days | 1,321,279 | 1,506,624 | 1,321,279 | 332,588 |
| Above 120 days | 171,390 | 3,616,698 | 171,390 | 798,388 |
| | **5,380,161** | **5,832,919** | **5,380,161** | **1,287,620** |
| **Provisions** | | | | |
| Employee benefits (current) | 647,594 | 594,993 | 647,594 | 131,345 |
| | **647,594** | **594,993** | **647,594** | **131,345** |

The provision for employee benefits represents annual leave.

**19. BORROWINGS**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Ariston Management Services (Private) Limited has borrowing facilities totalling ZWL46,810,548 (2018: ZWL15,782,060). The utilised portion was: | **46,810,548** | **71,492,732** | **46,810,549** | **15,782,060** |
| **Secured – at amortised cost** | | | | |
| Loans from banks | 7,494,002 | 32,268,812 | 7,494,002 | 7,123,358 |
| Bank overdrafts | 1,321,252 | 1,372,563 | 1,321,252 | 302,994 |
| Loans from other financial institutions | - | 27,184,127 | - | 6,000,911 |
| Loans from related parties (note 24) | 37,995,294 | 10,667,230 | 37,995,294 | 2,354,797 |
| | **46,810,548** | **71,492,732** | **46,810,548** | **15,782,060** |
| **Split by term** | | | | |
| Amount due for settlement within 12 months | 3,779,711 | 9,684,461 | 3,779,711 | 2,137,850 |
| Amount due for settlement after 12 months | 43,030,837 | 61,808,271 | 43,030,837 | 13,644,210 |
| | **46,810,548** | **71,492,732** | **46,810,548** | **15,782,060** |
| **Split by currency** | | | | |
| Borrowings in ZWL | 8,815,254 | 60,825,502 | 8,815,254 | 13,427,263 |
| Borrowings in US$ | 37,995,294 | 10,667,230 | 37,995,294 | 2,354,797 |
| | **46,810,548** | **71,492,732** | **46,810,548** | **15,782,060** |

**19. BORROWINGS - continued**

The other principal features of the Group's borrowings are as follows.

(i) Bank loans of ZWL7,494,003 (2018: ZWL32,268,812 (inflation-adjusted) have been secured by the following:
- Notarial General Covering Bonds covering all movable assets and cession of book debts;
- Joint and several guarantees;
- Mortgage bonds over immovable property; and
- Negative pledge on unencumbered assets.

The average effective interest rate on bank loans approximates 7.5% (2018: 7.5% to 12%) per annum.

(ii) Bank overdrafts are repayable on demand. Overdrafts of ZWL1,321,252 (2018: ZWL1,372,563 (inflation-adjusted) have been secured by joint and several guarantees and cession of book debts. The average effective interest rate on bank overdrafts approximates 12% to 35% (2018: 12%) per annum.

(iii) Loans repayable to related parties of the Group are secured by a mortgage bond over immovable property and carry interest of 6% (2018: 6%) per annum charged on the outstanding loan balances.

**20. FINANCE LEASE LIABILITIES**

The Group procured motor vehicles, tea harvesting machinery and tractors under finance lease and hire purchase agreements during the year. Interest payable on the lease arrangements varies from 18% per annum to 26% per annum.

The Group will assume ownership of the motor vehicles, machinery and tractors at the end of the lease term and when all lease payments have been made.

Future lease payments are due as follows:

**INFLATION ADJUSTED**

| | Plant and equipment | | | | | |
|---|---|---|---|---|---|---|
| | Minimum | | Interest | | Present value | |
| All figures in ZWL | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Not later than one year | 405,009 | 1,114,194 | 52,958 | 145,331 | 352,051 | 968,863 |
| Later than one year and not later than five years | 771,495 | 814,802 | 117,686 | 93,739 | 653,809 | 721,063 |
| | **1,176,504** | **1,928,996** | **170,644** | **239,070** | **1,005,860** | **1,689,926** |

**HISTORICAL COST**

| | Plant and equipment | | | | | |
|---|---|---|---|---|---|---|
| | Minimum | | Interest | | Present value | |
| All figures in ZWL | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Not later than one year | 405,009 | 245,959 | 52,958 | 32,082 | 352,051 | 213,877 |
| Later than one year and not later than five years | 771,495 | 179,868 | 117,686 | 20,693 | 653,809 | 159,175 |
| | **1,176,504** | **425,827** | **170,644** | **52,775** | **1,005,860** | **373,052** |

**20. FINANCE LEASE LIABILITIES - continued**

The outstanding values of future lease payments are analysed as:

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Current liabilities | 352,051 | 968,863 | 352,051 | 213,877 |
| Non-current liabilities | 653,809 | 721,063 | 653,809 | 159,175 |
| | **1,005,860** | **1,689,926** | **1,005,860** | **373,052** |

Finance lease liabilities are secured by the assets leased. The liabilities comprise of variable and fixed interest rate arrangements with repayment periods not exceeding five years.

**21. CAPITAL COMMITMENTS**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Commitments for capital expenditure approved by the directors: | | | | |
| - authorised 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 commitments will be financed from the Group's resources and existing facilities

As at the date of this report, there are no agreements concluded in respect of any acquisitions.

**22. FINANCIAL RISK MANAGEMENT**

**22.1 Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Ultimate responsibility for market risk management rests with the Board of Directors, which has built an appropriate market risk management framework and the market risks are managed through a non speculative approach within approved monetary and exchange control authority parameters.

**22.2 Foreign currency risk**

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved exchange control policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

**MONETARY LIABILITIES**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| US$ - denominated interest bearing borrowings reported in ZWL | 37,995,294 | 10,667,230 | 37,995,294 | 2,354,797 |
| | **37,995,294** | **10,667,230** | **37,995,294** | **2,354,797** |

**22. FINANCIAL RISK MANAGEMENT - continued**

**MONETARY ASSETS**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| US$ - denominted cash and cash equivalents reported in ZWL | 3,428,217 | 423,383 | 3,428,217 | 93,462 |
| | **3,428,217** | **423,383** | **3,428,217** | **93,462** |

**22.3 Derivative financial instruments**

The Group does not use derivative financial instruments in its management of foreign currency. Derivative financial instruments are not held or issued for trading purposes.

**22.4 Interest rate risk**

The Group's policy is to adopt a non-speculative approach to manage interest rate risk while maximising profit.Ultimate responsibility for interest risk management rests with the Board of Directors, which has built an appropriate risk management framework to manage the interest risk through a non speculative approach within approved monetary control authority parameters.

**22.5 Credit risk**

This refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group conducts credit assessment on these counterparties based on publicly available information and the Group's own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved regularly. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Apart from one customer in the retail market who is also the largest local customer of the Group, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to this retail market customer approximates 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 20% of gross monetary assets at any time during the year.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

## 22. FINANCIAL RISK MANAGEMENT - continued

| All figures in ZWL | Weighted average effective interest rate % | 1-3 months | 3 months to 1 year | 1-5 years | 5+ years | Total |
|---|---|---|---|---|---|---|
| **INFLATION ADJUSTED** | | | | | | |
| **2019** | | | | | | |
| Interest bearing borrowings | 8% | 944,928 | 2,834,783 | 43,030,838 | - | **46,810,549** |
| Finance lease liabilities | 18% - 26% | 88,013 | 264,038 | 653,809 | - | **1,005,860** |
| Trade and other payables | 0% | 5,208,771 | 171,390 | - | - | **5,380,161** |
| **2018** | | | | | | |
| Interest bearing borrowings | 8% | 883,350 | 8,801,111 | 61,808,271 | - | **71,492,732** |
| Finance lease liabilities | 18% - 26% | 242,216 | 726,647 | 721,063 | - | **1,689,926** |
| Trade and other payables | 0% | 2,216,221 | 3,616,698 | - | - | **5,832,919** |
| **HISTORICAL COST** | | | | | | |
| **2019** | | | | | | |
| Interest bearing borrowings | 8% | 944,928 | 2,834,783 | 43,030,838 | - | **46,810,549** |
| Finance lease liabilities | 18% - 26% | 88,013 | 264,038 | 653,809 | - | **1,005,860** |
| Trade and other payables | 0% | 5,208,771 | 171,390 | - | - | **5,380,161** |
| **2018** | | | | | | |
| Interest bearing borrowings | 8% | 195,000 | 1,942,850 | 13,644,210 | - | **15,782,060** |
| Finance lease liabilities | 18% - 26% | 53,469 | 160,408 | 159,175 | - | **373,052** |
| Trade and other payables | 0% | 489,232 | 798,388 | - | - | **1,287,620** |

The Group has access to financing facilities amounting to ZWL46,810,548 (2018: ZWL15,782,060) and ZWLnil (2018: ZWLnil) were unused at the end of the reporting period. The Group expects to meet its obligations from cash flows and proceeds of maturing financial assets.

**Fair values**
The carrying amounts of receivables, cash and short-term deposits, payables and accrued expenses, and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

## 23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of net debt and equity of the Group (comprising issued share capital, share premium, share-based payment reserves and distributable reserves). The Group is not subject to any externally imposed capital requirements.

The Group's Board reviews the capital structure of the Group regularly. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 September 2019 was 97% (2018: 94%).

**23. CAPITAL MANAGEMENT - continued**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Debt (i) | 47,816,409 | 73,182,658 | 47,816,409 | 16,155,112 |
| Cash and bank balances | (4,598,256) | (423,383) | (4,598,256) | (93,462) |
| **Net debt** | **43,218,153** | **72,759,275** | **43,218,153** | **16,061,650** |
| **Equity (ii)** | **138,411,048** | **77,213,125** | **42,805,879** | **17,044,840** |
| Net debt to equity ratio | **31%** | **94%** | **101%** | **94%** |

(i) Debt is defined as long and short-term borrowings and finance lease liabilities.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

**24. RELATED PARTY DISCLOSURES**

**Trading transactions**

**INFLATION ADJUSTED**

| | Finance cost | | Management fee expense | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| **Group** | | | | |
| Origin Global Holdings Limited (major shareholder) | 1,592,184 | 1,011,341 | 718,345 | 1,087,200 |

**HISTORICAL**

| | Finance cost | | Management fee expense | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| **Group** | | | | |
| Origin Global Holdings Limited (major shareholder) | 644,609 | 223,254 | 290,828 | 240,000 |

The following balances were outstanding at the end of the reporting period:

**INFLATION ADJUSTED**

| | Receivables | | Payables | | Borrowings | |
|---|---|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| **Company** | | | | | | |
| Ariston Management Services (Private) Limited | 12,384,283 | 56,390,613 | - | - | - | - |
| **Group** | | | | | | |
| Origin Global Holdings Limited (major shareholder) | 11,107,605 | - | - | 4,903,530 | 37,995,294 | 10,667,230 |
| Directors and Key Management | - | - | 131,680 | 360,506 | - | - |

**HISTORICAL COST**

| | Receivables | | Payables | | Borrowings | |
|---|---|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| **Company** | | | | | | |
| Ariston Management Services (Private) Limited | 12,384,283 | 12,448,259 | - | - | - | - |
| **Group** | | | | | | |
| Origin Global Holdings Limited (major shareholder) | 11,107,605 | - | - | 1,082,457 | 37,995,294 | 2,354,797 |
| Directors and Key Management | - | - | 131,680 | 79,582 | - | - |

**24. RELATED PARTY DISCLOSURES - continued**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

The weighted average interest rate on related party borrowings is 6% per annum (2018: 6% per annum). The related party borrowings are payable beyond 12 months from the reporting date, accordingly they are classified as non-current.

**Compensation of key management personnel**

The remuneration of directors and other members of key management personnel during the year was as follows:

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| **All figures in ZWL** | **2019** | **2018** | **2019** | **2018** |
| Short-term benefits | 1,456,608 | 897,393 | 589,720 | 198,100 |
| | 1,456,608 | 897,393 | 589,720 | 198,100 |

The remuneration of directors and key executives is determined by the Human Resources and Remuneration Committee having regards to the performance of individuals and market trends.

**25. DEFINED CONTRIBUTION PLANS**

The employees of the Group are also members of a State-managed retirement benefit plan operated by the National Social Security Authority (NSSA). The Group is required to contribute a specified percentage of basic pay to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss amounts to ZWL148,904 (2018: ZWL69,967) representing contributions payable by the Group at rates specified in the rules of the plan.

Due to lack of cash resources in prior periods, the Group accumulated benefit arrears in respect of both the defined contribution retirement plan and NSSA contributions. The Group applied for a 'paid-up' exemption for the defined contribution retirement plan so as to halt the increase in outstanding contributions as well as provide the Group an opportunity to clear its arrears.

**26. 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.

**27. EVENTS AFTER THE REPORTING DATE**

The 2020 National Budget Statement as presented by the Minister for Finance and Economic Development proposed a reduction in corporate tax from 25% to 24%. This will reduce the effective tax rate from 25.75% to 24.72% in successive periods. This is a non-adjusting event. The change has no impact on the current year financial statements but the potential impact for the year under review will be a reduction in deferred tax liability.

# Shareholders' Profile

For The Year Ended 30 September 2019

### ANALYSIS OF SHAREHOLDERS

| SIZE OF SHAREHOLDING | NUMBER OF SHAREHOLDERS | % OF TOTAL HOLDERS | TOTAL HOLDING | % OF TOTAL HOLDING |
|---|---|---|---|---|
| 1-5000 | 809 | 62.09 | 1,306,598 | 0.08 |
| 5001-10000 | 141 | 10.82 | 1,062,998 | 0.07 |
| 10001-50000 | 216 | 16.58 | 4,945,618 | 0.30 |
| 50001-100000 | 42 | 3.22 | 3,020,810 | 0.19 |
| 100001 and Above | 95 | 7.29 | 1,617,059,571 | 99.36 |
| **TOTALS** | **1,303** | **100.00** | **1,627,395,595** | **100** |

### CATEGORIES OF SHAREHOLDERS

| SIZE OF SHAREHOLDING | NUMBER OF SHAREHOLDERS | % HOLDING | TOTAL HOLDING | % OF TOTAL HOLDING |
|---|---|---|---|---|
| COMPANIES | 197 | 15.12 | 176,916,279 | 10.87 |
| ESTATES | 2 | 0.15 | 10,000 | 0.00 |
| INDIVIDUALS | 961 | 73.75 | 48,044,953 | 2.95 |
| INSURANCE COMPANIES | 4 | 0.31 | 36,345,902 | 2.23 |
| INVESTMENT, TRUST AND PROPERTY COMPANIES | 14 | 1.07 | 1,249,072 | 0.07 |
| NOMINEE COMPANY | 42 | 3.22 | 97,095,251 | 5.97 |
| NON RESIDENT TRANSFERABLE | 61 | 4.69 | 1,197,926,739 | 73.62 |
| PENSION FUNDS | 22 | 1.69 | 69,807,399 | 4.29 |
| **TOTALS** | **1,303** | **100.00** | **1,627,395,595** | **100** |

# Shareholders' Profile - Continued

For The Year Ended 30 September 2019

**TOP TWENTY SHAREHOLDERS**

| HOLDER NAME | TOTAL HOLDING | % OF TOTAL ISSUED SHARES |
|---|---|---|
| ORIGIN GLOBAL HOLDINGS LIMITED | 1,154,636,981 | 70.95 |
| STANBIC NOMINEES (PRIVATE) LIMITED - NNR A/C | 82,314,586 | 5.06 |
| BARATO INVESTMENTS LIMITED | 70,324,454 | 4.32 |
| NATIONAL SOCIAL SECURITY AUTHORITY - NPS | 54,413,428 | 3.34 |
| NATIONAL SOCIAL SECURITY AUTHORITY | 49,922,208 | 3.07 |
| OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMITED | 32,966,245 | 2.03 |
| SPEAR PAUL | 29,536,312 | 1.81 |
| NATIONAL SOCIAL SECURITY AUTHORITY | 24,321,664 | 1.49 |
| STANDARD CHARTERED NOMINEES (PVT) LTD -NNR-949453 | 24,291,452 | 1.49 |
| STANDARD CHARTERED NOMINEES (PVT) LTD -NNR-949455 | 17,582,418 | 1.08 |
| WORKERS COMPENSATION INSURANCE FUND | 11,596,485 | 0.71 |
| ECONET GROUP ZIMBABWE PENSION FUND-FML | 6,250,000 | 0.38 |
| STANBIC NOMINEES (PRIVATE) LIMITED - NNR A/C | 5,812,036 | 0.36 |
| MIMOSA MINING PENSION FUND-IMARA | 3,379,140 | 0.21 |
| ZB LIFE ASSURANCE LIMITED | 3,359,827 | 0.21 |
| MEGA MARKET (PVT) LTD | 2,660,568 | 0.16 |
| MUNSTER INVESTMENTS (PVT) LTD | 2,481,060 | 0.15 |
| GLOWSURGE ENTERPRISES (PVT) LTD | 2,392,944 | 0.15 |
| SCB NOMINEES 033667800001 | 2,156,922 | 0.13 |
| ZB FINANCIAL HOLDINGS GROUP PENSION FUND | 2,156,454 | 0.13 |
| **TOTAL HOLDING OF TOP TWENTY SHAREHOLDERS** | **1,582,555,184** | **97.23** |
| **REMAINING HOLDING** | **44,840,411** | **2.77** |
| **TOTAL ISSUED SHARES** | **1,627,395,595** | **100.00** |

# Notice To Shareholders

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the seventy-third (73rd) Annual General Meeting ("AGM") of Ariston Holdings Limited ("the Company") will be held in the Huswa Room, Cresta Lodge, Corner Samora Machel East Avenue and Robert Mugabe Road, Harare, Zimbabwe on the 31st of March 2020 at 14:30hrs to consider the following business.

**ORDINARY BUSINESS**

**1.** To receive, consider and adopt the audited financial statements for the year ended 30 September 2019, together with the reports of the directors and auditors thereon.

**2.** To elect directors in place of those retiring in accordance with the provisions of the Company's Articles of Association. In accordance with the Companies and Other Business Entities Act (Chapter 24:31), the directors will be elected by separate resolutions;

**2.1** Mr I. Chagonda retires from the Board by rotation, and being eligible, offers himself for re-election.

**2.2** Mr J. W. Riekert retires from the Board by rotation, and being eligible, offers himself for re-election.

**3**. To approve directors' fees for the year ended 30 September 2019.

**4**. To approve fees for the auditors for the year ended 30 September 2019.

**SPECIAL BUSINESS**

**5. Employee Share Ownership Trust**
To consider, and if deemed fit, pass with or without modification, the following resolution as a Special resolution;

**5.1** That the Company be and is hereby authorised to make any loans to the Employee Share Ownership Trust ("ESOT") or to enter into any guarantee or provide security in connection with a loan to such ESOT, at a market related interest rate to be determined by the directors from time to time, for the purpose of enabling the ESOT to exercise the options granted to it by the shareholders of the Company in terms of the special resolution of 30th March 2017, subject to the provisions of the Companies and Other Business Entities Act (Chapter 24:31) section 123 (1) (a) and (b).

**6. Appointment of auditors**
Appointment as auditor of a person other than a retiring auditor or providing expressly that a retiring auditor shall not be reappointed.

To consider, and if deemed fit, pass with or without modification, the following resolution as a Special resolution;

**6.1** That Pursuant to section 3 (1) (h) of Statutory Instrument 134 of 2019 of the Zimbabwe Stock Exchange (ZSE) Listing Rules, the ZSE Practice note 3 whose effective date was 17 January 2020 and in accordance with Section 69 (6) of the ZSE Listing Rules, Issuers are required to change their audit partners every five years and their audit firm every ten years, the directors of the Company propose a change in auditors subject to the provisions of the Companies and Other Business Entities Act (Chapter 24:31) section 191. The Practice note further states that "the period of service rendered by an auditor should be reckoned from the date they were appointed which period should also be reconciled with the period provided in the ZSE Listing Rules for seamless continuity".

**6.2** That the selection of a replacement auditor and the remuneration of such auditor be left in the hands of the directors of the Company and that the selected auditor may hold office until the conclusion of the next annual general meeting of the Company.

**6.3** That until a new auditor has been appointed, Messrs Deloitte & Touche (who offer themselves for appointment) continue to act as the auditor and that their remuneration be decided by the directors of the Company.

**7.** To transact such business as may be dealt with at an AGM.

**EXPLANATORY NOTES TO THE PROPOSED SPECIAL RESOLUTIONS**

**Employee Share Ownership Trust (ESOT)**
In terms of a resolution made at the AGM held on 30th March 2017, the ESOT was allocated 320,159,119 (three hundred and twenty million one hundred and fifty-nine thousand one hundred and nineteen) ordinary shares in the Company. This represented 20% of 1,600,795,595 (one billion six hundred million seven hundred and ninety five thousand five hundred and ninety five) ordinary shares in issue as at 30 September 2019.

# Notice To Shareholders - Continued

**Appointment of auditors**

- The current auditors, Messrs Deloitte & Touche have been the Company's auditors since the year ended 30 September 2009. The current year audit for the year ended 30 September 2019 is their 11th year as the Company's auditors. In light of the changes made to the ZSE Listing Rules, the directors have to appoint new auditors for the audit of the year ending 30 September 2020.

- Deloitte & Touche has confirmed to the Zimbabwe Stock Exchange in accordance with ZSE Listing Rules that there are no matters and circumstances connected with the termination which it considered should be brought to the attention of the Shareholders. The Board and the Audit Committee confirm that, there are no matters in connection with the proposed Change of auditor that need to be brought to the attention of holders of securities or potential investors of the Company.

**APPOINTMENT OF PROXY**

In terms of the Companies and Other Business Entities Act (Chapter 24:31), a member entitled to attend and vote at the above meeting may appoint one or more proxies to attend, vote and speak on his/her behalf. A proxy need not be a member of the Company.

A proxy form is enclosed. For it to be valid, it should be completed and returned so as to reach the registered office of the Company or the office of the Transfer Secretaries ( ZB Transfer Secretaries (Private) Limited, 21 Natal Road, Avondale, Harare) not less than 48hours before the appointed time for holding of the meeting.

Completion of the proxy form does not preclude a member from subsequently attending and voting in person.

**By order of the Board**

**R.A. Chinamo**
**Company Secretary**

**REGISTERED OFFICE**
306 Hillside Road
Msasa Woodlands
P.O. Box 4019
Harare

9 March 2020

ARISTON

HOLDINGS LIMITED

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

# PROXY FORM

For use at the seventy-third (73rd) Annual General Meeting ("AGM") of Ariston Holdings Limited to be held in the Huswa Room, Cresta Lodge, Corner Samora Machel East Avenue and Robert Mugabe Road, Harare, Zimbabwe on the 31st of March 2020 at 14:30 hours

I/We.................................................................................................................................................................

of...........................................................................................................................being the registered holder/s

of.........................................................................................................................................ordinary shares in

Ariston Holdings Limited do hereby appoint:-

1. ..........................................................................................................................................or failing him/her,

2. ..........................................................................................................................................or failing him/her,

the Chairman of the AGM, as my/our proxy to vote on my/our behalf at the seventy-third AGM of Ariston Holdings Limited to be held in the Huswa Room, Cresta Lodge, Corner Samora Machel East Avenue and Robert Mugabe Road, Harare, Zimbabwe on the 31st of March 2020 and at any adjournment thereof and to vote for me/us on my/our behalf or to abstain from voting as indicated below:

| | | FOR | AGAINST | ABSTAIN |
|---|---|---|---|---|
| 1. | Adoption of the financial statements for the year ended 30 September 2019 together with the reports of the directors and auditors thereon. | | | |
| 2. | Election of directors | | | |
| | - Appointment of director, Mr. I. Chagonda | | | |
| | - Appointment of director, Mr. J. W. Reikert | | | |
| 3. | Approval of directors' fees for the year ended 30 September 2019. | | | |
| 4. | Approval of fees for the auditors for the year ended 30 September 2019 | | | |
| 5. | Employee share ownership trust | | | |
| 5.1 | Approval of loans/guarantee or any security to the Employee Share Ownership Trust for purposes of purchasing shares in the Company | | | |
| 6. | Appointment of auditors | | | |
| 6.1 | Approval for change in auditors | | | |
| 6.2 | Approval for the selection of replacement auditors and their remuneration to be left in the hands of the directors of the Company | | | |
| 6.3 | Approval for current auditors, Messrs Deloitte & Touche to act as auditors until engagement of the replacement auditors and their remuneration to be left in the hands of the directors of the Company. | | | |

**Signature of Shareholder**..................................................................... **Date**.....................................................

**AFFIX**
**STAMP**
**HERE**

The Company Secretary
Ariston Holdings Limited
Registered Office:
P.O. Box 4019
Harare
Zimbabwe

The Company Secretary
Ariston Holdings Limited
Registered Office:
306 Hillside Road
Msasa Woodlands
Harare
Zimbabwe