starafricacorporation limited

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

SALIENT FEATURES FOR THE SIX MONTHS PERIOD

	INFLATION ADJUSTED	HISTORICAL
Revenue	↑ 24%	↑ 915%
EBITDA	↑ 34%	↑ 1018%

CHAIRMAN'S STATEMENT

OVERVIEW

I am pleased to present the results for the half year ended 30 September 2020, which are in Zimbabwean Dollars.

The period under review presented both challenges and opportunities for the business. The operating environment was negatively affected by the advent of Covid-19 which has affected the conduct of business and way of social living. While the company was able to operate during the Covid-19 induced national lockdown, being an essential service, it was not spared the adverse impact of the pandemic which cost it significant production time as it handled a pandemic related incident in July 2020. Coupled with the destruction of the raw sugar warehouse by fire in the sugar refining plant, this cost the company a month's lost production. A combination of stringent cost containment and prudent product mix models, however, enabled the company to mitigate the adverse impact of these challenges on its operations and preserve its Balance Sheet. The period under review also saw the company continue to develop sugar export markets in the region. The introduction of the Reserve Bank of Zimbabwe (RBZ) foreign exchange auction rate was a welcome development which has seen the rate stabilising at around ZWL81.7:USD1. This is expected to impact positively on operating costs going forward.

GROUP RESULTS

The financial results of the Group have been Inflation Adjusted in compliance with the requirements of IAS 29 and the historical numbers have been disclosed as supplementary information. Total turnover increased by 24% to ZWL$1.875 billion compared with ZWL$1.508 billion realised in the prior year comparative period. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by 34% to ZWL$318 million relative to ZWL$238 million that was achieved last year as a result of cost management strategies. The profitable performance was mainly hampered by foreign exchange losses and finance costs on foreign borrowings following the introduction of the RBZ foreign exchange auction system. As a result, the Group incurred a loss after tax of ZWL$ 54 million.

In historical terms, revenue increased by 915% to ZWL$1.341 billion from ZWL$132 million recorded in the prior year comparative period, while EBITDA increased by 1018% to ZWL$216 million from ZWL$19 million.

The Group's net working capital increased to ZWL$391 million from ZWL$138 million.

OPERATIONS

Goldstar Sugars Harare (GSSH)

GSSH sold 26 959 tonnes against 30 469 tonnes sold in the comparative period last year. The 11.5% decrease in sales volumes was attributable to Covid - 19 related challenges, associated transport restrictions, maintenance shutdown in August 2020 and disruptions to the operations due to a fire that destroyed the raw sugar warehouse. The rehabilitation of the burnt warehouse is in progress and is projected to be complete within six months. Alternative arrangements have been put in place to ensure adequate feed stock (raw sugar) to the plant. Power supply to the plant was stable due to an improvement in hydro power generation at Kariba Dam, as the water level increased. Water supply to the plant was adversely affected by supply side constraints from City of Harare. Water storage tanks were installed and an alternative supply source was put in place in an effort to secure water supply to the factory, into the future. Two new centrifugal machines were installed, one in the Affination Station and the other in the Secondary Plant with a view to boosting production capacity and improving manufacturing efficiencies.

The plant continued to be certified by The Coca Cola Company ("TCCC") as well as Food Safety certification under the FSSC 22000 series. The certifications enable the Group to supply products to TCCC franchisees in the Southern Africa region and beyond.

Country Choice Foods (CCF)

CCF products continued to dominate the market. Volumes, however, were down by 11% due to low disposable incomes and depressed business activity experienced by this operational unit's major industrial customers.

Properties Business

This business recorded a 53% increase in turnover from ZW$5.3 million recorded in prior half year to ZWL$ 8.2 million. The increase came as a result of an improved occupancy level.

Tongaat Hulett Botswana

THB continued to be the major player in the Botswana sugar market. The associate recorded a profit after tax of ZWL$ 99.95 million, of which the company's share was ZWL$ 33.32 million after converting the earnings into Zimbabwean Dollars at the RBZ auction exchange rate prevailing on 30 September 2020.

SCHEME OF ARRANGEMENT

The Scheme of arrangement, whose tenure expires in 2022, remains in place with 97.95% of creditors having been settled. Post the reporting period, discussions between the company and foreign scheme creditors regarding settlement of the outstanding amounts had reached a stage which may result in the debts being extinguished by 31 March 2021. Shareholders will be advised of the outcome thereof in due course.

DIVIDEND

In light of the company's existing Scheme related obligations, the uncertainties prevailing in the current economic environment and the desire to ensure adequate working capital is maintained the Board has deemed it fit not to declare a dividend for the six months ended 30 September 2020.

OUTLOOK

The Board remains confident that the company will catch up on lost production and achieve its set production and sales targets by the end of the financial year. The profitable trajectory will continue on the strength of increased production and improved efficiencies. The RBZ interbank foreign exchange auction rate is expected to remain stable as long as foreign currency continues to be made available for the auction. This, in turn, is expected to impact positively on prices of goods and services. The company continues to monitor the Covid -19 situation in the country, where a second wave appears to be developing. The business remains hopeful that the efforts and measures being pursued internally and by our Government and the world at large will mitigate the impact of this pandemic. On its part, the company continues to observe and implement the recommendations by the World Health Organisation (WHO) and the Ministry of Health and Child Care. For the ensuing six months and beyond, the company will focus on growing its export markets in the region and expects to double the volumes achieved in the period under review. The phased refurbishment of the Secondary Plant is ongoing and outstanding refurbishments are expected to be completed by the end of the financial year, thus enabling the company to meet forecast local and export demand. The company is working on several strategies for sustainable growth and profitability into the future, hinged on exports and increasing market share in the household direct consumption space.

CONCLUSION

I wish to thank the company's various stakeholders, my fellow board members, management and staff for their contribution to the company's performance and look forward to the same support for the remainder of the year and beyond.

J.S Mutizwa
Chairman
9 DECEMBER 2020

INTERIM ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2020

	INFLATION ADJUSTED			HISTORICAL	
	REVIEWED Period ended 30 Sep 2020 ZWL$	RESTATED Period ended 30 Sep 2019 ZWL$	Notes	UNREVIEWED Period ended 30 Sep 2020 ZWL$	UNREVIEWED Period ended 30 Sep 2019 ZWL$
Revenue	**1,875,552,686**	**1,508,316,931**		**1,341,200,856**	**132,075,917**
Earnings before Interest ,Tax,Depreciation & Amortisation (EBITDA)	**318,114,590**	**238,077,813**		**216,291,254**	**19,354,268**
Depreciation	(14,670,944)	(14,542,287)		(2,836,284)	(716,166)
Earnings before Interest & Tax	**303,443,646**	**223,535,526**		**213,454,970**	**18,638,102**
Monetary Gain/(Loss)	(37,067,405)	301,156,475	1.2	-	-
Impairment loss	(33,883,660)	-	3	(33,883,660)	-
Fair value adjustment on investment property	84,736,625	377,433,778	4	355,480,535	89,029,229
Exchange loss	(250,691,158)	(641,545,917)		(250,617,761)	(84,546,443)
Finance costs	(21,726,750)	(40,335,145)		(15,751,432)	(3,610,797)
Share of profit of an associate	33,316,290	28,267,280		33,316,290	3,722,303
Profit before taxation	**78,127,588**	**248,511,997**		**301,998,942**	**23,232,394**
Income tax expense	(131,886,287)	(95,246,262)	5	(56,894,412)	(10,787,619)
Profit/(Loss) for the period	**(53,758,699)**	**153,265,735**		**245,104,530**	**12,444,775**
Profit/(Loss) for the period attributable to:					
Non controlling interest	4,876,257	-		20,925,038	-
Equity holders of the parent	(58,634,956)	153,265,735		224,179,492	12,444,775
	(53,758,699)	**153,265,735**		**245,104,530**	**12,444,775**
Earnings/(Loss) per share (cents)					
Basic	(1.22)	3.19	6	4.66	0.26
Diluted	(1.22)	3.19	6	4.66	0.26
Headline	1.38	7.27	6	3.02	0.19
Weighted average number of shares	4,808,662,335	4,808,662,335		4,808,662,335	4,808,662,335
Number of shares for diluted earnings	4,808,662,335	4,808,662,335		4,808,662,335	4,808,662,335
Adjusted earnings for headline EPS (ZWL)	66,171,557	349,573,612		145,157,494	9,143,251

INTERIM ABRIDGED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2020

	INFLATION ADJUSTED			HISTORICAL	
	REVIEWED Period ended 30 Sep 2020 ZWL$	RESTATED Period ended 30 Sep 2019 ZWL$	Notes	UNREVIEWED Period ended 30 Sep 2020 ZWL$	UNREVIEWED Period ended 30 Sep 2019 ZWL$
Profit/(Loss) for the year	**(53,758,699)**	**153,265,735**		**245,104,530**	**12,444,775**
Other comprehensive income (net of tax)	**238,775,830**	**609,886,417**		**546,949,419**	**123,807,345**
Exchange differences on translating foreign operations	142,869,422	193,280,625		142,869,422	25,451,656
Revaluation of property, plant and equipment net of tax	95,906,408	416,605,792		404,079,997	98,355,689
Total comprehensive income for the period	**185,017,131**	**763,152,152**		**792,053,949**	**136,252,120**
Total comprehensive income for the period attributable to:					
Non controlling interest	4,876,257	-		20,925,038	-
Equity holders of the parent	180,140,874	763,152,152		771,128,911	136,252,120
	185,017,131	**763,152,152**		**792,053,949**	**136,252,120**

INTERIM ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	INFLATION ADJUSTED			HISTORICAL	
	REVIEWED As at 30 Sep 2020 ZWL$	RESTATED As at 31 Mar 2020 ZWL$	Notes	UNREVIEWED As at 30 Sep 2020 ZWL$	UNREVIEWED As at 31 Mar 2020 ZWL$
ASSETS					
Non current assets	**1,647,249,703**	**1,437,682,928**		**1,434,109,586**	**459,686,251**
Property, plant and equipment	981,590,538	874,145,770	7	768,450,421	252,592,746
Investment property	512,782,551	428,045,928	4	512,782,551	157,302,017
Investment in associate	152,876,613	135,491,230		152,876,614	49,791,488
Current assets	**846,241,960**	**755,512,457**		**823,437,340**	**260,488,810**
Total assets	**2,493,491,663**	**2,193,195,385**		**2,257,546,926**	**720,175,061**
EQUITY AND LIABILITIES					
Equity	**1,266,957,899**	**1,061,661,107**		**1,133,861,950**	**321,009,682**
Attributable to equity holders of the parent	1,026,908,211	874,818,828		1,032,070,969	288,971,055
Equity component of compound financial instruments	185,581,403	137,250,251		70,395,260	21,567,944
Non controlling interest	54,468,285	49,592,028		31,395,721	10,470,683
Non current liabilities	**770,808,338**	**513,657,830**		**667,959,551**	**172,102,802**
Loans and borrowings	491,406,227	300,236,166	8	491,406,227	110,333,381
Deferred tax liability	279,402,111	213,421,664		176,553,324	61,769,421
Current liabilities	**455,725,426**	**617,876,448**		**455,725,425**	**227,062,577**
Loans and borowings	51,436,289	152,667,548	8	51,436,289	56,103,590
Trade and other payables	404,289,137	465,208,900		404,289,136	170,958,987
Total liabilities	**1,226,533,764**	**1,131,534,278**		**1,123,684,976**	**399,165,379**
Total equity and liabilities	**2,493,491,663**	**2,193,195,385**		**2,257,546,926**	**720,175,061**

INTERIM ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2020

	Equity holders of the parent	Equity component of compound financial instruments	Non controlling interest	Total
INFLATION ADJUSTED	ZWL$	ZWL$	ZWL$	ZWL$
Balance as at 31 March 2020 (RESTATED)	**874,818,828**	**137,250,251**	**49,592,028**	**1,061,661,107**
Total comprehensive income	180,140,874	-	4,876,257	185,017,131
Profit for the period	(58,634,956)	-	4,876,257	(53,758,699)
Other comprehensive income	238,775,830	-	-	238,775,830
Reversal of revaluation on warehouse in impairment loss	(28,051,491)	-	-	(28,051,491)
Settlement of compound financial instruments	-	(987,875)	-	(987,875)
Exchange difference on foreign denominated compound financial instruments	-	49,319,027	-	49,319,027
Balance as at 30 September 2020 (REVIEWED)	**1,026,908,211**	**185,581,403**	**54,468,285**	**1,266,957,899**
HISTORICAL				
Balance as at 31 March 2020 (UNREVIEWED)	**288,971,055**	**21,567,944**	**10,470,683**	**321,009,682**
Total comprehensive income	771,128,911	-	20,925,038	792,053,949
Profit for the period	224,179,492	-	20,925,038	245,104,530
Other comprehensive income	546,949,419	-	-	546,949,419
Reversal of revaluation on warehouse in impairment loss	(28,028,997)	-	-	(28,028,997)
Settlement of compound financial instruments	-	(491,710)	-	(491,710)
Exchange difference on foreign denominated compound financial instruments	-	49,319,026	-	49,319,026
Balance as at 30 September 2020 (UNREVIEWED)	**1,032,070,969**	**70,395,260**	**31,395,721**	**1,133,861,950**

INTERIM ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019

	Equity holders of the parent	Equity component of compound financial instruments	Non controlling interest	Total
INFLATION ADJUSTED	ZWL$	ZWL$	ZWL$	ZWL$
Balance as at 31 March 2019 (UNREVIEWED)	**619,208,611**	**93,997,152**	**52,578,612**	**765,784,375**
Total comprehensive income	763,152,152	-	-	763,152,152
Profit for the period	153,265,735	-	-	153,265,735
Other comprehensive income	609,886,417	-	-	609,886,417
Settlement of compound financial instruments	-	(8,663,744)	-	(8,663,744)
Exchange difference on foreign denominated compound financial instruments	-	80,567,417	-	80,567,417
Balance as at 30 September 2019 (UNREVIEWED)	**1,382,360,763**	**165,900,825**	**52,578,612**	**1,600,840,200**
HISTORICAL				
Balance as at 31 March 2019 (UNREVIEWED)	**29,308,957**	**4,449,161**	**2,488,700**	**36,246,818**
Total comprehensive income	136,252,120	-	-	136,252,120
Profit for the period	12,444,775	-	-	12,444,775
Other comprehensive income	123,807,345	-	-	123,807,345
Settlement of compound financial instruments	-	(1,140,863)	-	(1,140,863)
Exchange difference on foreign denominated compound financial instruments	-	10,609,311	-	10,609,311
Balance as at 30 September 2019 (UNREVIEWED)	**165,561,077**	**13,917,609**	**2,488,700**	**181,967,386**

starafricacorporation limited

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2020

	INFLATION ADJUSTED			HISTORICAL	
	REVIEWED Period ended 30 Sep 2020 ZWL$	RESTATED Period ended 30 Sep 2019 ZWL$	Notes	UNREVIEWED Period ended 30 Sep 2020 ZWL$	UNREVIEWED Period ended 30 Sep 2019 ZWL$
Cash flows generated from operations	**313,949,901**	**174,090,038**		**81,708,537**	**12,562,698**
Taxation paid	(25,888,218)	(4,809,236)		(20,595,695)	(633,292)
Net Finance costs paid	(652,521)	(8,299,820)		(458,859)	(1,092,940)
Net cash flows from operating activities	**287,409,162**	**160,980,982**		**60,653,983**	**10,836,466**
Net cash flows received from investing activities	47,418,399	19,396,899		53,368,225	2,554,230
Net cash flows (used) in financing activities	(16,820,553)	(10,763,734)		(10,788,879)	(1,417,394)
Net increase in cash and cash equivalents	**318,007,008**	**169,614,147**		**103,233,329**	**11,973,302**
Net foreign exchange difference	(128,058,805)	(22,903,909)		170,903,367	7,345,854
Effect of change in functional currency	-	-		-	-
Cash and cash equivalents at 1 April	133,101,947	65,366,241		48,913,454	8,607,583
Cash and cash equivalents at 31 March	**323,050,150**	**212,076,479**		**323,050,150**	**27,926,739**

SUPPLEMENTARY INFORMATION

for the six months ended 30 September 2020

	INFLATION ADJUSTED		HISTORICAL	
	REVIEWED As at 30 Sep 2020	RESTATED As at 31 Mar 2020	UNREVIEWED As at 30 Sep 2020	UNREVIEWED As at 31 Mar 2020
Number of shares in issue	4,808,662,335	4,808,662,335	4,808,662,335	4,808,662,335
Capital expenditure	(27,116,727)	(16,906,186)	(19,732,362)	(2,226,247)
Total refined sugar sales (tonnes)	26,959	30,469	26,959	30,469
Inventory (current assets)	299,355,303	329,177,705	285,027,405	112,503,613
Trade and other receivables (current assets)	165,028,429	201,736,742	165,028,429	74,135,957
Trade and other payables (current liabilities)	336,439,372	403,093,994	336,439,372	148,132,465
Property pledged as security	-	124,381,569	-	45,708,814
Plant and equipment pledged as security	-	241,504,062	-	88,750,000
Interest bearing borrowings	542,842,516	452,903,714	542,842,516	166,436,971
Short term loans	51,436,289	152,667,548	51,436,289	56,103,590
Long term loans	491,406,227	300,236,166	491,406,227	110,333,381
Average cost of interest bearing borrowings	8%	8%	8%	8%

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September have been prepared in accordance with IAS 34 Interim Financial Reporting as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31). These interim abridged consolidated financial results were extracted from the full set of the interim condensed consolidated financial statements of Starafrica Corporation Limited which were prepared in accordance with International Financial Reporting Standards (IFRS) except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", the requirements of the Companies Act (Chapter 24.03) and the requirements of the Zimbabwe Stock Exchange. The Group's presentation currency is the Zimbabwean Dollar (ZWL$) rounded off to the nearest dollar, which is the functional currency of the Group's operations in Zimbabwe.
The Group Financial Statements have been prepared in line with IAS 29.

1.1 Functional Currency

The Group had been using the United States Dollar (US$) as its functional and reporting currency since 2009. In 2016 the monetary authorities introduced the Bond note which was at par with the US$. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 33 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD 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 local transactions be done in local currency (ZWL$). The Group followed the legal instruments and changed the functional currency on the 22nd of February 2019 and adopted the stipulated rate of US$1:ZWL$2.5. Subsequent to this, the interbank midrate has been used as a legal source of exchange rates in translating all foreign currency balances. The adherence to Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework.

On 26 March 2020, the Reserve Bank of Zimbabwe in a press statement announced various interventions in response to the financial vulnerabilities caused by the COVID-19 pandemic. One of the measures announced therein was the authorization of the use of free-funds in paying for goods and services, in terms of Statutory Instrument (SI) 85 of 2020. On 24 July 2020, the Government of Zimbabwe issued Statutory Instrument (SI) 185 of 2020, which granted permission to display, quote or offer prices for all goods and services in both Zimbabwe dollars and foreign currency at the interbank exchange rate. On 23 June 2020, the Reserve Bank of Zimbabwe introduced the Foreign Exchange Auction System, effectively abandoning the fixed foreign currency exchange rate regime which had been prevailing for the greater part of 2020. Significant trades have been recorded on the platform and significant movements in the exchange rate have been resultantly recorded. Given the context of the environment, the directors assessed if there has been a change in the functional currency used by the Group. This assessment included consideration of whether the use of free funds in paying for goods and services may represent a change in functional currency.

In light of the developments summarised above, the directors concluded that the Group's functional currency remains the Zimbabwe dollar (ZWL) as presented in the financial statements as at 31 March 2020.

1.2 Hyperinflation

The interim condensed consolidated financial statements for the six months ended 30 September have been prepared in accordance with IAS 34 Interim Financial Reporting as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

These interim condensed consolidated financial statements are presented in Zimbabwean dollars. They have been prepared under the inflation adjusted accounting basis in line with the provisions of International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary Economies. The Public Accountants and Auditors Board (PAAB) pronounced on 11 October 2019 that the Zimbabwean economy was trading under hyperinflationary conditions. The Directors have applied the guidelines provided by the PAAB and accounting bodies and applied the hyperinflation accounting principles. Inflation adjusted financial statements have been drawn up using the conversion factors derived from the consumer price index(CPI) prepared by the Zimbabwe Central Statistical Office.

The conversion factors used to restate the financial statements are as follows:

Date	CPI	Conversion factor
30 September 2020	2 205.2436	1.0000
31 March 2020	810.4020	2.7212
30 September 2019	290.3918	7.5940

The carrying amounts of non-monetary assets and liabilities carried at historic cost have been restated to reflect the change in the general price index as if they had been hyperinflationary from 1 April 2019. No adjustment has been made for those non-monetary assets and liabilities measured at fair value. Impairment is recognised in the profit or loss if the measured amount of a non monetary asset exceeds the recoverable amount.

All items recognised in the statement of profit or loss and other comprehensive income are restated by applying the average monthly general price index when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position have been recognised as part of profit or loss before tax in the statement of profit or loss and other comprehensive income.

All amounts in the statement of cash flows were segregated into the respective months in which the cash flows actually occurred and the applicable monthly factor used to hyper-inflate the amount. Gain or losses on cash flows were included in non-cash items.

2. Going concern

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased from ZWL$229 million in the prior comparative period to $318 million in the six months ended 30 September 2020. The balance sheet is in a strengthened position with a net asset position of ZWL$ 1.27 billion against ZWL$1.06 billion that was recognised as at 31 March 2020.

The conditions presented in the preceding paragraph indicate significant positive developments which have enhanced the Group's ability to discharge its liabilities through realising its assets in the normal course of business.

Although the Group's profitability took a dip in the six months ended 30 September 2020 from ZWL$294million posted in the comparative period to the current loss of ZWL$68 million mainly due to the effect of the Covid-19 pandemic, the Group's profitability, solvency and liquidity is being supported through the deliverables listed below which are expected to result in the Group being profitable for the full 2021 financial year;

Secondary Scheme

The implementation of the scheme has progressed to a stage where 97.95% of creditors under the scheme have now been settled which has resulted in not only significantly reducing the interest burden but has contributed to the further strengthening of the Group's financial position. Management continues to engage the remaining creditors with a view to conversion but is also confident of meeting the eventual settlement requirements should the creditors hold out to the end of the Scheme in 2021.

Plant capacity enhancements

Power supply to the plant was stable due to an improvement in hydro power generation at Kariba Dam, as the water level increased. Water supply to the plant was adversely affected by supply side constraints from City of Harare. Water storage tanks were installed and an alternative supply source was put in place in an effort to secure water supply to the factory, into the future. Two new centrifugal machines were installed, one in the Affination Station and the other in the Secondary Plant with a view to boosting production capacity and improving manufacturing efficiencies.

The plant continued to be certified by The Coca Cola Company ("TCCC") as well as Food Safety certification under the FSSC 22000 series. The certifications enable the Group to supply products to TCCC franchisees in the Southern Africa region and beyond.

Management is confident that the notable changes to the financial position and the positive economic outlook will be maintained and enhanced through product and markets development for both local and export requirements to meet the forecast volumes for the second half of the year and beyond.

The interim financial statements are prepared on the basis that the Group will continue to be a going concern. This basis of preparation is on the assumption that the forecast production and sales will be achieved, the Group will quickly return to profitability in the second half thus realising its assets and discharging its liabilities in the ordinary course of business.

3. Impairment Loss

The Group recognised an impairment loss on its plant and equipment following an incident of fire the 30th of August 2020. The fire destroyed the raw sugar handling facility as well as some raw sugar that was stored in the facility. The impairment loss recognised in the statement of profit and loss is split as follows;

Impairment loss written off attributable to the statement of profit and loss:

	ZWL$
Damage of property, plant and equipment	394 347
Damage to raw sugar inventory	33 489 313
Total impairment loss written off to profit and loss	**33 883 660**

4. Investment Property

	INFLATION ADJUSTED		HISTORICAL	
	REVIEWED Sep-20 ZWL$	RESTATED Mar-20 ZWL$	UNREVIEWED Sep-20 ZWL$	UNREVIEWED Mar-20 ZWL$
Balance at 1 April	**428,045,926**	**466,248,858**	**157,302,017**	**22,068,924**
Transfer from property , plant and equipment	-	-	-	-
Disposals	-	-	-	-
Functional currency adjustment	-	-	-	-
Valuation gain on investment property	84,736,625	(38,202,930)	355,480,534	135,233,093
Closing Balance	**512,782,551**	**428,045,928**	**512,782,551**	**157,302,017**

Revenue and expenses relating to investment property	INFLATION ADJUSTED		HISTORICAL	
	REVIEWED Sep-20 ZWL$	RESTATED Sep-19 ZWL$	UNREVIEWED Sep-20 ZWL$	UNREVIEWED Sep-19 ZWL$
Rental income	8,189,645	5,343,984	6,574,967	445,800
Operating costs	(2,400,790)	(1 948 744)	(1,915,228)	(256 615)

Fair Value Hierarchy
The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy.

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Industrial	259 973 835	-	-	259 973 835
Warehouse	240 258 255	-	-	240 258 255
Residential	12 550 461	-	-	12 550 461
Vacant Commercial Stands (Land)	-	-	-	-
Total	**512 782 551**	**-**	**-**	**512 782 551**

5. Income Tax Expense

	INFLATION ADJUSTED		HISTORICAL	
	REVIEWED Sep-20 ZWL$	RESTATED Sep-19 ZWL$	UNREVIEWED Sep-20 ZWL$	UNREVIEWED Sep-19 ZWL$
Income taxes				
Current year	50 998 814	338 086	50 998 814	33 984
Tax on foreign dividends	14 907 025	7 135 679	14 620 118	939 643
Deferred tax	65 980 448	87 772 497	(8 724 520)	9 813 992
	131 886 287	95 246 262	56 894 412	10 787 619

6. Earnings/ (Loss) per share

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

The authorised new share capital levels are as follows:

- Ordinary Shares — 7 billion at a nominal price of $ 0.01 each
- Preference Cumulative Shares — 3 billion at a nominal price of $ 0.01 each

As at 30 September the actual shares in issue were 4 808 662 335 and these were used for calculation of loss per share as no shares where subscribed during the year.

Shares used for computation of diluted earnings per share were the same as those for basic earnings per share because the incremental impact of a potential 443 514 182 shares from outstanding Scheme creditors who have conversion rights is anti-dilutive. The test for dilutive effect was done using the "if converted" method which compared the impact of conversion (assuming it took place on 1 April 2020) on earnings (net of tax) (ZWL$ 337 642 760) against the potential ordinary shares there from (443 514 182 shares).The result was anti-dilutive as the incremental earnings per share was higher than the basic earnings per share. The Group then had to disregard the potential ordinary shares in the computation of diluted earnings per share. In prior year potentially dilutive shares were also disregarded as they had an anti-dilutive effect on the profit per share then.

There are potentially 443 514 182 shares arising from the outstanding Scheme creditors with convertible rights who are Concurrent creditors including Du Pont.

	INFLATION ADJUSTED		HISTORICAL	
	REVIEWED Sep-20 ZWL$	RESTATED Sep-19 ZWL$	UNREVIEWED Sep-20 ZWL$	UNREVIEWED Sep-19 ZWL$
6.1 Basic earnings per share				
Profit attributable to equity holders of the parent	(58,634,956)	153,265,735	224,179,492	12,444,775
Weighted average number of ordinary shares in issue	4,808,662,335	4,808,662,335	4,808,662,335	4,808,662,335
Earnings per share (cents)	(1.22)	3.19	4.66	0.26
6.2 Diluted earnings per share				
Profit attributable to equity holders of the parent	(58,634,956)	153,265,735	224,179,492	12,444,775
Weighted average number of ordinary shares adjusted for the effect of dilution	4,808,662,335	4,808,662,335	4,808,662,335	4,808,662,335
Earnings per share (cents)	(1.22)	3.19	4.66	0.26
6.3 Headline earnings per share				
Headline earnings	66,171,557	349,573,612	145,157,494	9,143,251
Weighted average number of ordinary shares in issue	4,808,662,335	4,808,662,335	4,808,662,335	4,808,662,335
Headline earnings per share (cents)	1.38	7.27	3.02	0.19
Reconciliation of earnings used in calculating earnings per share				
Profit Attributable to equity holders of the group	(58,634,956)	153,265,735	224,179,492	12,444,775
Adjusted for:				
Insurance proceeds	(164,797)	-	(108,000)	-
Fair value gain on investment properties	(84,736,625)	(377,433,778)	(355,480,535)	(89,029,229)
Loss /(profit) on sale of property, plant and equipment	-	275,573	-	36,288
Exchange (gain) / loss	201,372,131	560,978,500	201,372,131	73,937,133
Dilution (gains)/ Losses on equity-accounted investments	49,319,026	80,567,417	49,319,026	10,609,311
Adjusted earnings	107,154,780	417,653,447	119,208,718	7,998,278
Total tax effect on adjustments	(40,983,223)	(68,079,836)	25,948,776	1,144,973
Headline earnings	**66,171,557**	**349,573,611**	**145,157,493**	**9,143,251**

starafricacorporation limited

ABRIDGED REVIEWED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

7. Property, Plant & Equipment

The group carries land and buildings at fair value less accumulated depreciation and impairment, and the rest of property plant and equipment is carried at cost less accumulated depreciation and impairment. A revaluation of land and buildings was carried on the 30th of September 2020. Fair value of the properties was determined by valuing the Property, Plant and Equipment using exchange rates prevailing at the end of September 2020. The revalued property consists of commercial stands, warehouses, residential and industrial buildings in Zimbabwe. The difference between the carrying amount as at 31 March 2020 and the fair value as at 30 September 2020 was deemed to be the revaluation in ZWL terms and was classified

Property, plant and equipment

HISTORICAL	Land and buildings ZWL$	Plant & Machinery ZWL$	Commercial vehicles ZWL$	Passenger vehicles ZWL$	Furniture & equipment ZWL$	Total ZWL$
Cost						
Balance at 1 April 2020	**236,500,000**	**25,435,064**	**3,376**	**26,770**	**1,287,147**	**263,252,357**
Additions	-	17,970,100	-	362,500	1,399,761	19,732,361
Revaluation of property	496,649,097	-	-	-	-	496,649,097
Balance at 30 September 2020	**733,149,097**	**43,405,164**	**3,376**	**389,270**	**2,686,908**	**779,633,815**
Accumulated depreciation						
Balance at 1 April 2020	**-**	**10,305,746**	**3,376**	**23,113**	**327,376**	**10,659,611**
Depreciation charge for the period	2,312,500	418,997	-	7,208	97,578	2,836,283
Depreciation reversal on revaluation	(2,312,500)	-	-	-	-	(2,312,500)
Balance at 30 September 2020	**-**	**10,724,743**	**3,376**	**30,321**	**424,954**	**11,183,394**
Net book value - 30 September 2020 (UNREVIEWED)	**733,149,097**	**32,680,421**	**-**	**358,949**	**2,261,954**	**768,450,421**
Net book value - 31 March 2020 (UNREVIEWED)	**236,500,000**	**15,129,318**	**-**	**3,657**	**959,771**	**252,592,746**

INFLATION ADJUSTED	Land and buildings ZWL$	Plant & Machinery ZWL$	Commercial vehicles ZWL$	Passenger vehicles ZWL$	Furniture & equipment ZWL$	Total ZWL$Cost
Cost						
Balance at 1 April 2020	**643,557,304**	**433,391,567**	**71,333**	**565,568**	**17,495,077**	**1,095,080,849**
Additions	-	24,983,936	-	553,138	1,579,652	27,116,726
Revaluation of property	90,240,128	-	-	-	-	90,240,128
Balance at 30 September 2020	**733,797,432**	**458,375,503**	**71,333**	**1,118,706**	**19,074,729**	**1,212,437,703**
Accumulated depreciation						
Balance at 1 April 2020	**-**	**214,682,415**	**71,333**	**507,354**	**5,673,977**	**220,935,079**
Depreciation charge for the period	4,758,858	8,628,205	-	111,871	1,172,010	14,670,944
Depreciation reversal on revaluation	(4,758,858)	-	-	-	-	(4,758,858)
Balance at 30 September 2020	**-**	**223,310,620**	**71,333**	**619,225**	**6,845,987**	**230,847,165**
Net book value - 30 September 2020 (REVIEWED)	**733,797,432**	**235,064,883**	**-**	**499,481**	**12,228,742**	**981,590,538**
Net book value - 31 March 2020 (RESTATED)	**643,557,304**	**218,709,152**	**-**	**58,214**	**11,821,100**	**874,145,770**

8. Loans and Borrowings

Changes in interest-bearing loans and borrowings arising from Financing activities

	INFLATION ADJUSTED		HISTORICAL	
	REVIEWED Sep-20 ZWL$	RESTATED Mar-20 ZWL$	UNREVIEWED Sep-20 ZWL$	UNREVIEWED Mar-20 ZWL$
Balances at 1 April	**452,903,715**	**691,235,072**	**166,436,974**	**32,718,181**
New loans	-	-	-	
Interest charged	21,483,766	64,701,415	15,460,309	10,309,469
Loans paid	(16,820,553)	(47,163,841)	(10,788,879)	(10,623,674)
Interest paid	(409,537)	(22,947,019)	(177,050)	(1,666,137)
Loans restructuring	-	(27,156,447)	-	(5,594,959)
Effect of exchange rates on foreign creditors	371,911,162	384,485,603	371,911,162	141,294,091
Monetary gain	(286,226,037)	(590,251,069)	-	-
Closing balance	**542,842,516**	**452,903,714**	**542,842,516**	**166,436,971**
The loans and borrowings are distributed as:				
Long term borrowings	491,406,227	300,236,166	491,406,227	110,333,381
Short term borrowings	51,436,289	152,667,548	51,436,289	56,103,590
	542,842,516	452,903,714	542,842,516	166,436,971

9. Effect of Covid-19 on the Group's operations

The Government of Zimbabwe declared a national lockdown effected from the 30th March 2020 in response to World Health Organisation declaration of the COVID – 19 outbreak as a pandemic.

The Company continued to operate during the lockdown as a result of it being in the essential services sector. A shut down was however announced in July 2020 as a preventative measure following positive cases of COVID -19 having been detected. As a way of managing the prevailing risk, the Group has engaged all its service providers and continues to minimise personal interface. Communication and interaction has been over the distance, on line, in memos, notices on notice boards, use of telephones, mobile phones etc.

The extent, duration and impact of the pandemic remain uncertain and depend on future developments that cannot be accurately predicted at this stage. The supply of raw materials to the sugar refining plant was generally stable during the period under review except for packaging materials sourced from South Africa, whose cartage was slowed down by the lockdown in that country.

The Group reviewed stocking levels upwards to ensure business continuity. It also pre-ordered sufficient supplies and materials including those consumables required to maintain a healthy environment (tissues, hand sanitizers, soap, masks etc.) and will continually review the impact of short term changes to the supply chain and logistics models to avoid disruption. Pro-active cash management measures have been put in place to ensure that the Group has sufficient liquidity to weather the storm.

The Group has had to bear costs of creating a safer working environment. The business solvency position has not been affected as it has renegotiated trade terms with both suppliers and customers to take into account the new COVID-19 operating environment.

Management is hopeful that measures being pursued by Government and the world at large will smother the full impact of this pandemic. The company remains resilient as local demand for its products continues to be strong. Efforts to increase our share of the exports market have been enhanced. There have not been any major constraints in the supply of major raw inputs. The Board remains confident that the company will continue on its upward trajectory despite the current challenges emanating from COVID-19.

10. Auditor's Statement

The Group's inflation adjusted interim financial statements from which these abridged results have been extracted have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of the impact of the following prior year matters: non-compliance with International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates" and International Accounting Standard 8, "Accounting Polices, Changes in Accounting Estimates and Errors"; the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29, valuation of investment properties, due to lack of market evidence to support property valuation inputs and accounting for foreign denominated equity component of compound financial instruments. The auditor's review conclusion on the Group's inflation adjusted interim financial statements is available for inspection at the Company's registered office. The engagement partner for this review is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).

Building a better
working world

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Independent Auditor's Report

To the Shareholders of Star Africa Corporation Limited

Report on the Audit of the consolidated inflation adjusted interim condensed financial information

Adverse Review Conclusion

We have reviewed the consolidated inflation adjusted condensed financial information of Star Africa Corporation Limited, as set out on pages 13 to 38, which comprise the consolidated inflation adjusted interim condensed statement of financial position as at 30 September 2020 and the related consolidated inflation adjusted interim condensed statement of profit or loss and other comprehensive income, the consolidated inflation adjusted interim condensed statement of changes in equity and the consolidated inflation adjusted interim condensed statement of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this consolidated inflation adjusted interim condensed financial information in accordance with the International Financial Reporting Standards. Our responsibility is to express a review conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Review Conclusion

<u>Matter 1: Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors</u>

As explained in note 1.3 to the inflation adjusted consolidated financial statements, the Group changed its functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We however believe that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period.

Independent Auditor's Report (Continued)

To the Shareholders of Star Africa Corporation Limited

Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTG$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

Our audit report for the year ended 31 March 2020 was therefore modified as management prospectively applied the change in functional currency from USD to ZWL from 23 February 2019, which we disagreed with. The correct approach would have been a retrospective restatement as a prior period error in terms of International Financial Reporting Standards – IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors.

Further, management used the interbank exchange rate to translate foreign denominated transactions and balances for the period 23 February 2019 to 31 March 2020. This exchange rate did not meet IAS21 requirements for the stated period.

We also disagreed with the valuation of investment properties, freehold land and buildings. The properties were valued using USD denominated inputs and converted to ZWL at the interbank exchange rate. There was a unique disconnect between the currency in which the rentals are being paid (ZWL) and the currency in which the properties are being valued (USD).

As no restatements have been recorded in current half-year period per IAS8 to correct the above matters, our review conclusion on the inflation adjusted consolidated financial information for the half-year ended 30 September 2020 is modified for the following reasons;

- All corresponding numbers are misstated on the consolidated inflation adjusted Statements of Financial Position, Cash Flows Profit or Loss and Changes in Equity.

- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of these matters on the Group inflation adjusted Statement of Cash Flows, Statement of Profit or Loss and Statement of Changes in Equity.

Our review conclusion on the current period's consolidated inflation adjusted interim financial information is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

In addition to the impacts on the corresponding numbers, current year performance and cash-flows the matter continues to impact the balances on the consolidated inflation adjusted Statement of Financial Position as many of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position, the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below).

Independent Auditor's Report (Continued)

To the Shareholders of Star Africa Corporation Limited

Matter 2: Valuation of investment properties and freehold land and buildings.

The Group's properties are held at a fair value of $ 1 082 938 649 as at 30 September 2020 (30 March 2020: $ 393 802 017) as described on Note 7 to the inflation adjusted interim financial statements The Group's properties were valued using unobservable inputs denominated in the United States Dollar currency and converted to local currency using the interbank rate. There is a unique disconnect between the currency in which the rentals are being paid (ZWL) and the currency in which the properties are being valued (USD). Further, the US$ inputs used may not be a true reflection of market dynamics as risks associated with currency trading do not reflect the risks associated with property trading. Owing to the nature of the matter, we are unable determine the appropriate correct inputs and therefore cannot quantify the possible impact. Our prior year audit report was also modified for this matter.

Matter 3: Exchange rates used (Non-compliance with IAS 21)

Further contributing to the adverse opinion in prior year was the disagreement on exchange rates used. The interbank exchange rate was used to translate foreign denominated transactions and balances. The interbank rate did not meet the IAS 21 definition of a spot rate. Management continued to use the interbank exchange rate to translate foreign denominated transactions and balances for the current half period up to the 23rd of June 2020, and the foreign exchange auction weighted average rate to translate foreign denominated balances from that date to 30 September 2020. The interbank exchange rate used for the period up to 23rd June 2020 did not meet the definition of a spot rate, and as a result all amounts in the Statement of Profit or Loss and Other Comprehensive Income are impacted except for Other Income, Employment Costs and Selling and Distribution Costs.

In addition, the following accounts on the Statement of Financial Position are misstated:

- Retained Earnings of ZWL 204 905 420 (2020: ZWL 19 357 406)

- Revaluation Reserve ZWL 770 237 082 (2020: ZWL 250 086 069)

- Non-Controlling Interest ZWL31 395 721 (2020: ZWL 10 470 683)

However, owing to the lack of information on the spot rates available to the entity and the other matters discussed above it is not possible to quantify the impacts of this departure from IFRS on the amounts noted above.

Matter 4: Consolidating a Foreign Associates using inappropriate exchange rates

Further to the issue noted above in respect of exchange rates, management have also used the same exchange rates (interbank exchange rate up to 23 June 2020) referred to in Note 1.3 to the consolidated inflation adjusted interim condensed financial information, to translate the foreign associate to group reporting currency on consolidation. The impact is misstatement of elements to the carrying amounts of the following accounts on the consolidated inflation adjusted interim condensed Statement of Financial Position of the Group: Investment in Associates, Capital Reserves and Retained Income. This matter also arose in the prior year and contributed to our adverse opinion in the prior period. Our opinion on the current period's financial statements is therefore also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Independent Auditor's Report (Continued)

To the Shareholders of Star Africa Corporation Limited

Matter 5: Foreign denominated equity component of compound financial instruments

The Group recognised the conversion option of a foreign denominated instrument in equity. The conversion option fails the definition of an equity instrument as its value fluctuates based on foreign exchange movements. As such, the entire instrument should have been classified as a financial liability. The incorrect classification of this instrument resulted in equity being overstated by ZWL69 250 667 and liabilities being understated by approximately ZWL69 250 667.

Application of IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied from 1 April 2020 to 30 September 2020, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, many elements of the inflation adjusted consolidated financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted interim condensed financial information.

Adverse review conclusion

Our review indicates that, because of the matters described in the preceding paragraphs, the consolidated interim financial information does not give a true and fair view of the financial position of the entity as at 30 September 2020, and of its financial performance and its cash flows for the six months period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review procedures resulting in this review conclusion report on the inflation adjusted interim condensed financial information is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335.

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

10 December 2020