# Audited Abridged Financial Results

FOR THE YEAR ENDED 30 JUNE 2020

Simbisa Brands LIMITED

# Salient Features

FOR THE YEAR ENDED 30 JUNE 2020

| | Year ended 30-Jun-20 ZWL Audited | Year ended 30-Jun-19 ZWL Audited | Change |
|---|---|---|---|
| **INFLATION ADJUSTED** | | | |
| Revenue (ZWL millions) | 9,242.8 | 9,390.0 | ▼ -2% |
| Operating profit before impairment, depreciation and amortisation (ZWL millions) | 1,294.2 | 1,032.5 | ▲ 25% |
| Profit before tax (ZWL millions) | 945.8 | 727.7 | ▲ 30% |
| Profit for the year attributable to equity holders of the parent (ZWL millions) | 584.0 | 276.9 | ▲ 111% |
| Cash generated from operating activities (ZWL millions) | 1,865.8 | 1,222.1 | ▲ 53% |
| Headline earnings per share (ZWL cents) | 106.99 | 50.24 | ▲ 113% |
| Dividend declared per share (ZWL cents) | 25.69 | 20.74 | ▲ 24% |
| **HISTORICAL COST** | | | |
| Revenue (ZWL millions) | 3,103.5 | 390.8 | ▲ 694% |
| Operating profit before impairment, depreciation and amortisation (ZWL millions) | 450.8 | 64.0 | ▲ 604% |
| Profit before tax (ZWL millions) | 542.3 | 49.8 | ▲ 988% |
| Profit for the year attributable to equity holders of the parent (ZWL millions) | 394.5 | 32.1 | ▲ 1127% |
| Cash generated from operating activities (ZWL millions) | 1,116.3 | 73.6 | ▲ 1417% |
| Headline earnings per share (ZWL cents) | 73.51 | 5.81 | ▲ 1165% |
| Dividend declared per share (ZWL cents) | 23.07 | 1.91 | ▲ 1108% |

# Chairman's Statement

**Overview**

The Group's results for the year ended 30 June 2020 were achieved in an exceptionally tough and unusual economic, social and financial environment. All the markets in which we operate were adversely affected by the COVID-19 Pandemic without exception. In these circumstances, the results are testimony to the outstanding performance of Team Simbisa and reflect the resilient nature of the Group's business model and brands.

The challenging business environment in Zimbabwe persisted, compounded by the COVID-19 induced business restrictions. The Zimbabwean market continues to operate under hyperinflation with currency depreciation accelerating significantly in the last quarter of the reporting period. As a result, customer discretionary spending remains under significant pressure. The business has therefore remained focused on offering "value for money" meals to our valued customers.

In the Regional markets in which we operate, authorities also implemented various measures in response to COVID-19 resulting in reduced economic and social activity. The business managed to keep the majority of its restaurants open, under reduced trading hours and with limitations on "sit-in" service. The major exception was Mauritius which was under a full lockdown from 20 March to 4 May 2020 during which no trading occurred.

These financial results were also impacted by the depreciation of regional currencies which lost significant value against the US dollar. Regional currencies in our major markets outside Zimbabwe depreciated by between 3% and 41% against the United States dollar in the period under review. Despite this, the Board is pleased with the performance of the Regional segment which recorded, in USD terms, a 7% decline in Revenue and a 2% increase in Operating profit (excluding impact of IFRS 16) for the year ended 30 June 2020.

Within the context of such a difficult trading environment and reduced economic activity due to COVID-19, the business has performed incredibly well.

Revenue and profit in Q4, although below normal levels, recovered better than we had previously forecasted. The Group's prompt response to the crisis on the operating expenditure side allowed the business to defend the operating profit margin in the last two months of the quarter. Our multiple channels inclusive of take-away, drive-thrus, curb-side collection and delivery allowed for the majority of our restaurants to largely remain open.

The CEO's detailed report and the financial performance indicate that the Group has been able to sustain its viability in the initial shocks of the pandemic and is steadily recovering despite the depressed economic levels.

I am therefore very proud of the loyal, noble, and selfless efforts of our Simbisa staff, management and the Board in these unprecedented times. The Simbisa Team has worked closely with all stakeholders, including government authorities and business associates to agree, implement and maintain measures that protect the health and safety of our employees and customers while continuing to provide affordable and quality meals to our valued customers.

**Significant accounting and reporting developments**

**(i) Adoption of Hyperinflation Accounting**

As indicated in the last report, the Group has adopted the International Accounting Standard ("IAS") 29, 'Financial Reporting in Hyper-Inflationary Economies,' in preparing its financial reports. The performance highlights in this report are in inflation adjusted terms except where specific reference is made to historical financial indicators.

**(ii) Adoption of International Financial Reporting Standard (IFRS) 16: Leases**

The Group implemented the new accounting standard on leases, IFRS 16, with effect from 1 July 2019. This new standard has a material impact on the Group's results as it operates the majority of its stores under operating lease agreements. The new standard aligns the presentation of leased assets more closely to owned assets, bringing both a right of use asset and lease liability on the balance sheet. Rental expenses previously recorded on a straight-line basis are now replaced by depreciation on the Right of Use Asset, straight-lined over the term of the lease, and interest expense on the lease liability which reduces over the lease term.

The adoption of the new standard has had the following notable implications on the Group's results for the year ended 30 June 2020:

| | Inflation adjusted (ZWL millions) | | |
|---|---|---|---|
| | Pre-IFRS 16 ZWL | Change ZWL | Post-IFRS 16 ZWL |
| **Income Statement** | | | |
| Operating profit | 1,082.3 | 211.9 | 1,294.2 |
| Net profit attributable to shareholders | 656.2 | (72.2) | 584.0 |
| Basic Earnings per share (ZWL cents) | 116.72 | (12.84) | 103.88 |
| **Balance Sheet** | | | |
| Total assets | 4,545.6 | 1,370.2 | 5,915.8 |
| Total liabilities | 2,702.2 | 1,441.4 | 4,143.6 |
| Net debt | 272.3 | 1,456.9 | 1,729.2 |
| Total equity | 1,843.3 | (71.2) | 1,772.1 |

IFRS 16 is dilutive to Earnings per Share (EPS) at the beginning of a lease and accretive to EPS at the end of a lease, as interest charged is higher in the earlier years and reduces over time. Despite the significant reporting impact, IFRS 16 has had no impact on our business model and cash flows thus having no bearing on our future plans.

**(iii) Partial compliance with International Financial Reporting Standards**

As reported in our annual financial statements for the year ended 30 June 2019, legal instruments issued by the Government of Zimbabwe on the re-introduction of the Zimbabwe dollar resulted in market-wide impracticability in achieving full compliance with IFRS due to conflicts with International Standard ("IAS") 21: 'The Effects of Changes in Foreign Exchange Rates.' The Independent Auditors issued an adverse audit opinion on the Group's financial results for the year-ended 30 June 2019 in accordance with the guidance issued by the Public Accountants and Auditors Board (PAAB) in Zimbabwe. The above matter continues to affect the corresponding numbers and opening balances in respect of the Group's June 2020 financial results.

The unavailability of exchange rates, for the Zimbabwe dollar, that meet the definition of a spot exchange rate as per IAS 21 continued over the financial year under review and has resulted in the Group's inability to comply with IAS 21. As a result, the Independent Auditors have issued an adverse audit opinion on the financial statements for the year ended June 2020.

The Directors have exercised reasonable and prudent judgement in the preparation of these financial results. However, the above-mentioned market-wide distortions may have an impact on the information presented in the financial results. As a result, the Directors advise users of the financial results to exercise due caution.

**Financial performance highlights**

| | Inflation adjusted (ZWL millions) | | |
|---|---|---|---|
| | Year Ended 30 June 2020 ZWL Audited | Year Ended 30 June 2019 ZWL Audited | Change |
| Revenue | 9,242.8 | 9,390.0 | (2%) |
| Operating Profit | 1,294.2 | 1,032.5 | 25% |
| Profit before tax | 945.8 | 727.7 | 30% |
| Profit Attributable to shareholders of Simbisa | 584.0 | 276.9 | 111% |
| Cash Generated from Operations | 1,865.8 | 1,222.1 | 53% |
| Total Assets | 5,915.8 | 3,563.3 | 66% |
| Total Liabilities | 4,143.6 | 2,292.9 | 81% |
| Total Debt | 2,543.7 | 779.3 | 226% |

**Key highlights are as follows:**

- Revenue declined by 2% driven by COVID-19 business disruptions in the last quarter of the financial year.
- Operating profit increased by 25%. Profit attributable to shareholders increased by 111%.
- The Group incurred a net monetary gain of ZWL 273.1m. This is as a result of the Group maintaining a net local currency monetary liability position in Zimbabwe to preserve value.
- The Group recorded a foreign currency exchange gain of ZWL 488.6m. This is driven by a significant improvement in the Group's net foreign currency position during the period under review and depreciation of the Zimbabwe dollar against the United States dollar.
- The Group recorded a strong growth of 53% in Cash generated from operating activities. During the period under review, the Group spent ZWL 708.4m on capital expenditure (ZWL 260.1 m in Zimbabwe and ZWL 448.3m in the Region). Capital expenditure was below planned levels as the Group reviewed new store expansion targets in the last quarter due to the impact of COVID-19.
- The Group's Balance sheet remains sound. Total borrowings increased by ZWL1 764.4m with ZWL 1456.9m as a result of implementation of IFRS 16. Excluding the increase arising from IFRS 16, the increase in borrowings amounted to ZWL 307.1m. This is primarily driven by an increase of ZWL 279m in Zimbabwe to fund expansion activities.

Due to this performance, the Board resolved to declare a final dividend of ZWL 18 cents per share. This takes the full year dividend to (historical cost) 23.07 ZWL cents per share (FY19: 1.91 ZWL cents per share). Furthermore, the Board approved a dividend of ZWL 5,059,663 to the Simbisa Employee Share Trust.

**Corporate Governance**

There were no changes to the Board during the period under review.

**Outlook**

Looking ahead, our priority remains to continue operating our business in a safe and convenient way whilst maintaining optimum returns to our stakeholders including employees, investors and the communities we operate in.

In the short-term, we expect the business performance to continue on an upward trajectory as economies reopen further and population lockdowns ease across all our markets. The Board is closely monitoring the situation and will continuously assess the business's readiness to implement effective remedial action in response to any further potential business disruptions. The Board continues to review the liquidity position of business units on a regular basis. These reviews have shown that our business remains adequately capitalised although there is a general liquidity squeeze in Zimbabwe as far as the Zimbabwe dollar is concerned.

The Group is confident of successfully navigating through these uncertain times. The business is leveraging on its key strengths which include the geographically diversified operations, strong brands and bard positions across the resilient low to medium LSM segments, our adeptness at Quick Service Restaurants and the increase in alternative sales channels outside of the traditional sit-in service as well as our good cash generation ability.

Our Dial-A-Delivery App (DAD) is developing into a market leader, and the Group is investing further in the delivery channels.

The Group remains committed to its long-term priorities including growing the financial contribution of the business operations outside Zimbabwe, growing its online and delivery business and improving the return on investment through operational efficiencies. The Group will continue its focused investment strategy, investing only in high return brands and store locations in our existing markets and in low-return store locations and brands that are likely to emerge from the COVID-19 crisis even stronger.

In the year under review, the Group opened 14 outlets in Zimbabwe and 21 outlets in the Regional markets to close the year with an overall store count of 488 outlets. There are 51 new stores in the pipeline for the FY2021 financial year.

**Appreciation**

Sadly, I wish to report that the Group lost two key senior managers in the year under review. Mr. Pachawo Chipurura and Ms. Shupikai Chapendama passed away in February 2020 and September 2020 respectively. They both had long and successful careers with the Group spanning over two decades each. We wish to place on record our immense appreciation of their selfless dedication to the Group's success. They will be greatly missed by us and their families.

On behalf of the Board, I would like to express the Board's gratitude, and appreciation of our staff, Management and the Executive Team's incredible dedication to duty, self-sacrifice, commitment, loyalty to our customers and their unflinching hard work during this COVID-19 period. I also thank our loyal customers for their continued support, and acknowledge with thanks to our suppliers, business associates, and stakeholders. The Group will continue to seek growth and opportunity in all our markets.

**A. B. C. Chinake**
**Independent Non – Executive Chairman**

**14 October 2020**

# Dividend Announcement

**Notice is hereby given that** on 18 September 2020 the Board of Directors declared a final dividend of ZWL 18 cents per share payable out of the profits of the Group for the year ended 30 June 2020.

The dividend will be payable in Zimbabwe dollars on or about 30 October 2020 to shareholders registered in the books of the Company close of business on 23 October 2020. The last day to trade cum-divided is 20 October 2020 and the ex-dividend date 21 October 2020.

**By order of the Board**

**Group Secretary**

**14 October 2020**

# Chief Executive Officer's Report

**TRADING ENVIRONMENT**

Demanding conditions persisted throughout the financial year ended 30 June 2020 with macro-economic conditions remaining challenging in our largest market, Zimbabwe and further pressure emanating from the COVID-19 pandemic, the full effect of which was felt across the business from March 2020. The Company has taken pro-active measures to manage the resultant business risks in order to mitigate the impact on the business as detailed in this report; the results have been fruitful and despite a difficult trading environment the Company remains profitable and continues to generate value for Stakeholders.

**GROUP PERFORMANCE OVERVIEW**

**COVID-19 PANDEMIC BUSINESS IMPACT**

The business has not been spared the impact of the COVID-19 pandemic resulting from the socio-economic effect of legislation implemented in our operating markets including border, school and business closures, restrictions on social gatherings, ban on restaurant sit-ins, curfews and full lock-downs. Resultantly, turnovers were negatively affected by lower customer counts in the fourth quarter of the financial year. Brands that have been most affected are those that target mass-market sales, such as Bakers Inn and brands which attract a higher proportion of walk-in customers compared to deliveries.

The group-wide response to the pandemic has been to drive aggressive promotions and offer affordable value options for customers where spending power is under pressure and to focus on an efficient delivery service to increase Dial-a-Delivery sales. Aggressive cost management strategies have been put in place across the markets to align the cost structure with the lower revenue base. Particular focus has been on rental reductions largely through the implementation of variable rent models as well as staff cost reductions.

Management's swift and deliberate implementation of the Group's strategic response has allowed the business to effectively manage the impact of the pandemic. The Group has been able to continue trading, albeit on reduced hours, and has managed to keep the majority of stores open throughout. Although we traded on 42% less counter hours in 4Q FY2020 versus the comparable prior year period, the full year drop in customer counts was much less at 27.7% year-on-year as a result of a significant growth in sales through delivery channels and successful promotional and value offerings. Despite customers' earning power coming under pressure, we have observed an increase in average spend due to an increased contribution from deliveries in the period under review.

The cost saving initiatives have re-aligned the cost base and thus preserved operating margins and allowed the business to remain profitable even through the most difficult trading quarter. Indeed, we are seeing a significant improvement in profitability in Mauritius and Namibia towards the end of the financial year.

Management continue to work hard at recovering lost customer counts and containing costs in the existing business and continue to pursue growth through enhanced efficiencies in the delivery business segment and through new store openings.

**ZIMBABWE**

A sustained erosion of consumer spending power in Zimbabwe continues to impact the Group in terms of reduced footfall and lower real average spend. This was exacerbated by the COVID-19 pandemic which saw Zimbabwe embark on a three-week hard lockdown on the 30th March 2020 which was extended for an additional four weeks thereafter. The introduction of value products and increased promotional and marketing activities have been implemented to sustain top-line growth. Simbisa Zimbabwe now has value promotions for each of the weekdays across all key brands.

Market uncertainty and inflationary pressures have resulted in challenging trading conditions as many local suppliers and service providers have taken a stance of pegging prices to a USD price and using a forward-hedge rate above the market rate. Continued negotiation with suppliers and in some cases pre-funding raw materials in order to lock in prices has been put in place in order to achieve better margins. A group strategy to negotiate fixed rentals to switch to a turnover-based model is also being implemented in-country to alleviate margin pressure.

Customer counts dropped 33.7% year-on-year as a result of the aforementioned pressures. Inflationary-driven price increases saw average spend in historical terms increase 757% which equated to 65% in inflation-adjusted terms, compared to prior year. Total inflation-adjusted revenue for the period increased 8.9% to $ 3.57b ($ 3.28b in FY19).

The Group continued to grow market share in Zimbabwe with the opening of 14 new counters between 30 June 2019 and 30 June 2020 to close the year with 221 counters. There are 17 new store openings in the pipeline for FY2021.

**REGIONAL OPERATIONS**

Customer counts in the Regional business fell 12.1% from prior year, of which all occurred in quarter 4 due to COVID-19 pressures, while average spend increased 4.9% in ZWL inflation-adjusted terms and 5.4% in USD-terms, despite currency devaluation against the USD across our regional operating markets, as detailed in the Chairman's Statement. Revenue generated by our Regional operations fell 7.3% year-on-year in USD-terms and by 7.1% in inflation-adjusted ZWL terms from $6.11b in prior year to $5.67b in FY2020. Regional EBITDA margins improved significantly from 7.0% in FY2019 to 19.7% in FY2020 on the back of improved operating efficiencies and implementing aggressive cost management strategies.

Kenya remains the key growth market in the region and in the period under review 11 new counters were opened and a partnership was formed to drive growth in the delivery business segment, as detailed below. The focus in our other regional markets has been to streamline the business, defend our market position and ensure existing operations generate positive returns on investment.

**KENYA**

Customer counts declined 12.5% versus prior year, weighed down by a 53.9% decline in Q4 due to the country-wide COVID-19 response which resulted in reduced trading hours and less footfall into the shops as customers were compelled to stay home; prior to this positive growth in customer counts was recorded in the first three quarters. Average spend in local currency terms increased 10.3% year-on-year

Food deliveries in Kenya is a major channel used to reach our customers and even more so with the COVID-19 restraints on customers' movement. The focus in the period under review was on enhancing the dial-a-delivery brand and exploring opportunities to grow and improve efficiencies in the delivery business segment. A strong delivery partner was identified, and a partnership transaction consummated in the period which resulted in Dial-a-Delivery in Kenya being reconstituted as a separate company and operated independently from the QSR business, leveraging the partner's expertise. The partnership became effective on 1 July 2020, with Simbisa Brands owning 75% of the new business, Kutuma Kenya (Pvt) Limited. Simbisa continues to grow its footprint in Kenya and closed the period with 152 counters. There are 16 new counter openings in the pipeline for FY2021.

**ZAMBIA**

The Zambian business registered top line growth of 24.5% year-on-year on the back of a 3.3% increase in customer count and a 20.6% increase in local currency average spend versus the prior year. A significant increase in customer counts between 1Q and 3Q FY2020 countered a decline in customer counts in 4Q FY2020.

Following a recovery in the performance of the existing business, the focus has now shifted to growing the business with 4 new counters being opened in the period under review, including an inaugural Rocomama's restaurant opened in July 2019 and whose exceptional performance has exceeded our expectations. The remaining 3 counters were key brands opened in the second half of the financial year therefore the full impact will be realised in the FY2021 period. This combined with a solid capital project pipeline for the new financial year yields solid growth prospects for the Zambian business in FY2021. The period closed with 28 counters operating in this market.

# Audited Abridged Financial Results

## FOR THE YEAR ENDED 30 JUNE 2020

Simbisa Brands
LIMITED

# Chief Executive Officer's Report - continued

**MAURITIUS**
The Mauritius business is in distress following a difficult trading year culminating in a prolonged period of no trading activity in Q4 following a full lockdown in this market as mentioned in the Chairman's Statement. In response, management have dedicated time and resources to assessing the issues in the market and have devised a three-phased recovery plan, the first phase of which will entail restructuring the format of the counters from the current sit-in, restaurant style to our more typical across-the-counter QSR model. This is expected to turn around the performance in the existing business, significantly reduce operating costs and improve shareholder returns. The second phase will be to grow our footprint through the roll-out of new counters under the re-modelled business format and the third phase development into new, high-density regions.

**GHANA AND NAMIBIA**
The focus in these markets has been on driving growth in the exiting business and implementing a cost alignment strategy to realise cost savings and improve profit margins.

In Ghana, 4 new counters were opened in FY2020, including an inaugural Chicken Inn Drive Thru to bring the number of counters in this market to 20. An 8.5% year-on-year decline in customers was offset by a 13.4% increase in average spend to drive a 4.3% increase in turnover versus the prior year. Due to the success of the drive thru brand launch, the strategy is to grow the drive-thru business in this market..

A decision was made to close two under-performing counters in Namibia in Q1 resulting in a 13.6% decline in turnover in FY2020 compared to the prior year. On a same store basis however, turnover was flat at prior year levels. Profit margins have shown a marked improvement over the FY2020 period as cost savings have started to bear fruit; margin gains are forecast to continue into the new financial year with continued focus on supply chain efficiencies and improvement in controls.

**FRANCHISED MARKETS**
There were 3 new counters opened in DRC Kinshasa in the financial year under review. Top-line performance was negatively affected by lockdown restrictions and curfews that were implemented and enforced in the DRC. The biggest impact on operations was the total lockdown of the Gombe area from mid-March until the end of July which resulted in restricting the operations in Kinshasa to trade predominantly via deliveries.

**STRATEGIC FOCUS**
The COVID-19 pandemic has resulted in a shift in bias towards delivery versus walk-in to access our restaurants and we believe this trend will be sustained whereby in the future, customers will be more inclined to utilise delivery channels for the benefit of safety and convenience. This presents a major opportunity for Simbisa where the drive over the financial year under review has been on refining the effectiveness of our delivery business. The Dial-a-Delivery mobile application has now been launched in four of our markets with extremely positive uptake and the balance of our 2 markets will be launched in Q1 FY2021. We have also engaged with third party delivery providers in order to enhance our delivery service.The strategic focus will remain on growing the delivery channel and enhance our service offering through technology development. We are confident that the Kutuma Kenya partnership will drive this strategy in our largest regional market, Kenya, with the vision of expanding into Zimbabwe and our other regional markets.

We will continue to grow the core QSR business in existing and new African markets and to develop and acquire other brands in the QSR and casual dining segment to complement our existing brand portfolio. The expansion of the Rocomama's brand in Zambia and its launch in Ghana as well as the launch of the Spur brand in Zimbabwe and the Ocean Basket brand in Kenya are in the pipeline for FY2021 and will strengthen our position in the casual dining segment. There are 51 counter openings in the pipeline for FY2021 of which 8 are in the casual dining segment.

**OUTLOOK**
Despite the exogenous shock on operations stemming from the COVID-19 pandemic, we are confident that proactive measures taken to counter the business impact, as detailed above, will allow us to weather the storm, continue to grow the business and to consistently deliver value to all of our stakeholders.

Currency volatility remains the key risk to our business' performance; management remains vigilant of the risks and has mitigated the inherent currency risk by maximising localisation of cost of sales and operating expenses and ensuring optimal pricing is achieved in local currency.

I would like to express my appreciation to the Simbisa Brands management and all of our members of staff for their hard work and dedication, to the input of the Simbisa Board of Directors and to our loyal customers, suppliers and other stakeholders for their continued support in these challenging times.

**B Dionisio**
**Chief Executive Officer**
**14 October 2020**

# Directors' Responsibility

The Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this press release represents an extract. These abridged Group financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing Requirements for provisional financial statements (Preliminary Reports), and in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) (COBE).

# Cautionary Statement- Reliance On All Financial Statements Prepared In Zimbabwe For 2019/2020

The Directors would like to advise users to exercise caution in their use of these financial statements due to the material and pervasive impact of the technicalities brought about by the change in functional currency in Zimbabwe around February 2019, its consequential impact on the usefulness of the financial statements for 2019/2020 financial periods and the adoption of International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies), effective 1 July 2019.

The Directors always seek to ensure compliance with IFRS, but remain unable to do so due to a conflict between these standards and local statutory requirements that arose from the change in functional and reporting currency in the prior year.

Whilst the Directors have exercised reasonable due care, and applied judgements that they felt were appropriate in the preparation and presentation of these financial statements, certain distortions may arise due to various specific economic factors that may affect the relevance and reliability of information that is presented in economies that are experiencing hyperinflation, as well as technicalities regarding the change in functional and reporting currency.

The audit report on these financial statements has been modified by the independent auditors, Ernst & Young Chartered Accountants (Zimbabwe) as indicated in the auditor's statement below.

# Auditor's Statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 30 June 2020, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued thereon in respect of non-compliance with the requirements of International Financial Reporting Standards (IAS 21), 'The Effects of Foreign Exchange Rates' and its consequent impact on the adoption of International Accounting Standard (IAS 29), 'Financial Reporting in Hyperinflationary Economies,' effective 1 July 2019. There were no key audit matters. The auditor's report on these financial statements is available for inspection at the Company's registered office.

## ABRIDGED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | Year ended 30-Jun-20 Audited ZWL | Year ended 30-Jun-19 Audited ZWL | Year ended 30-Jun-20 Unaudited ZWL | Year ended 30-Jun-19 Audited ZWL |
| **Revenue** | **9,242,798,282** | **9,390,039,958** | **3,103,475,214** | **390,793,795** |
| **Operating profit before depreciation, amortisation and impairment** | **1,294,237,574** | **1,032,542,486** | **450,777,751** | **64,031,578** |
| Gain on monetary position | 273,132,390 | 71,511,703 | - | - |
| Foreign exchange and other gains/(losses) | 488,594,050 | (26,916,896) | 483,992,798 | (2,745,850) |
| Depreciation, amortisation and impairment | (837,163,850) | (279,624,246) | (293,065,860) | (9,716,243) |
| **Profit before interest and tax** | **1,218,800,164** | **797,513,047** | **641,704,689** | **51,569,485** |
| Interest income | 45,407,748 | 19,642,500 | 18,949,245 | 665,448 |
| Interest expense | (318,372,034) | (89,489,596) | (118,345,385) | (2,400,772) |
| **Profit before tax** | **945,835,878** | **727,665,951** | **542,308,549** | **49,834,161** |
| Income tax expense | (347,251,836) | (440,448,777) | (144,787,224) | (17,426,382) |
| **Profit for the year** | **598,584,042** | **287,217,174** | **397,521,325** | **32,407,779** |
| **Other comprehensive (loss)/income - to be recycled to profit or loss** | | | | |
| Exchange differences arising on the translation of foreign operations | (20,767,218) | 35,127,769 | 613,351,594 | 37,507,987 |
| **Other comprehensive (loss)/income for the year, net of tax** | **(20,767,218)** | **35,127,769** | **613,351,594** | **37,507,987** |
| **Total comprehensive income for the year** | **577,816,824** | **322,344,943** | **1,010,872,919** | **69,915,766** |
| **Profit for the year attributable to:** | | | | |
| Equity holders of the parent | 583,998,634 | 276,871,714 | 394,451,022 | 32,138,552 |
| Non-controlling interests | 14,585,408 | 10,345,460 | 3,070,303 | 269,227 |
| | **598,584,042** | **287,217,174** | **397,521,325** | **32,407,779** |
| **Total comprehensive income for the year attributable to:** | | | | |
| Equity holders of the parent | 568,495,598 | 354,725,817 | 1,000,016,570 | 70,204,243 |
| Non-controlling interests | 9,321,226 | (32,380,874) | 10,856,349 | (288,477) |
| | **577,816,824** | **322,344,943** | **1,010,872,919** | **69,915,766** |
| **Earnings per share (ZWL cents):** | | | | |
| Basic earnings per share | 103.88 | 49.69 | 70.16 | 5.77 |
| Headline earnings per share | 106.99 | 50.24 | 73.51 | 5.81 |
| Diluted basic earnings per share | 103.01 | 49.31 | 69.58 | 5.72 |
| Diluted headline earnings per share | 106.10 | 49.86 | 72.90 | 5.77 |

## ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | As at 30-Jun-20 Audited ZWL | As at 30-Jun-19 Audited ZWL | As at 30-Jun-20 Unaudited ZWL | As at 30-Jun-19 Audited ZWL |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 3,010,948,506 | 2,486,993,336 | 2,177,032,527 | 180,839,618 |
| Non-current financial assets | - | 171,440,043 | - | 14,989,844 |
| Right-of-use assets | 1,370,208,593 | - | 1,370,208,593 | - |
| Intangible assets | 17,758,399 | 17,758,399 | 17,758,399 | 1,306,626 |
| Deferred tax assets | 50,479,411 | 35,855,370 | 62,018,579 | 2,708,188 |
| | **4,449,394,909** | **2,712,047,148** | **3,627,018,098** | **199,844,276** |
| **Current assets** | | | | |
| Financial assets | 92,435,346 | - | 92,435,346 | - |
| Current tax assets | - | 151,518 | - | 18,097 |
| Inventories | 330,831,685 | 331,559,039 | 330,176,114 | 31,683,631 |
| Trade and other receivables | 228,664,314 | 383,801,466 | 228,394,533 | 30,765,322 |
| Cash and cash equivalents | 814,467,350 | 135,726,739 | 814,467,350 | 17,894,178 |
| | **1,466,398,695** | **851,238,762** | **1,465,473,343** | **80,361,228** |
| **Total assets** | **5,915,793,604** | **3,563,285,910** | **5,092,491,441** | **280,205,504** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital and share premium | 260,373,250 | 260,373,250 | 18,178,323 | 18,178,323 |
| Distributable reserves | 1,646,722,396 | 1,133,856,564 | 403,453,013 | 45,286,075 |
| Other reserves | (146,481,272) | (126,042,298) | 641,181,385 | 36,206,354 |
| | **1,760,614,374** | **1,268,187,516** | **1,062,812,721** | **99,670,752** |
| Non-controlling interests | 11,548,312 | 2,187,495 | 5,167,116 | (695,390) |
| **Total equity** | **1,772,162,686** | **1,270,375,011** | **1,067,979,837** | **98,975,362** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 190,298,205 | 162,071,967 | 71,178,907 | 2,502,721 |
| Lease liability | 1,091,229,101 | - | 1,091,229,102 | - |
| Borrowings | 455,250,178 | 154,610,302 | 455,250,178 | 12,309,570 |
| | **1,736,777,484** | **316,682,269** | **1,617,658,186** | **14,812,291** |
| **Current liabilities** | | | | |
| Lease liability | 365,710,582 | - | 365,710,582 | - |
| Borrowings | 631,479,530 | 624,691,175 | 631,479,530 | 50,937,470 |
| Trade and other payables | 1,353,925,486 | 1,325,908,700 | 1,353,925,470 | 112,511,450 |
| Current tax liabilities | 55,737,836 | 25,628,755 | 55,737,836 | 2,968,931 |
| | **2,406,853,434** | **1,976,228,630** | **2,406,853,418** | **166,417,851** |
| **Total liabilities** | **4,143,630,918** | **2,292,910,899** | **4,024,511,604** | **181,230,142** |
| **Total equity and liabilities** | **5,915,793,604** | **3,563,285,910** | **5,092,491,441** | **280,205,504** |

## ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

**INFLATION ADJUSTED**

| | Attributable To Equity Holders Of The Parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital and share premium ZWL | Distributable Reserves ZWL | Other Reserves ZWL | Total ZWL | Non-Controlling Interests ZWL | Total ZWL |
| **Balance at 1 July 2019** | **260,373,250** | **1,133,870,428** | **(126,042,298)** | **1,268,201,380** | **2,187,495** | **1,270,388,875** |
| Profit for the year | - | 583,998,634 | - | 583,998,634 | 14,585,408 | 598,584,042 |
| Other comprehensive income for the year | - | - | (15,503,036) | (15,503,036) | (5,264,182) | (20,767,218) |
| Purchase of treasury shares | - | - | (2,637,158) | (2,637,158) | - | (2,637,158) |
| Transactions with owners | - | (6,724,380) | (2,298,780) | (9,023,160) | 8,307,020 | (716,140) |
| Effects of IAS 29 | - | - | - | - | 10,182,571 | 10,182,571 |
| Dividends | - | (64,408,422) | - | (64,408,422) | (18,450,000) | (82,858,422) |
| **Balance at 30 June 2020** | **260,373,250** | **1,646,722,396** | **(146,481,272)** | **1,760,614,374** | **11,548,312** | **1,772,162,686** |
| **Balance at 1 July 2018** | **250,595,364** | **1,045,358,287** | **(203,228,233)** | **1,092,725,418** | **41,637,163** | **1,134,362,581** |
| Profit for the year | - | 276,871,714 | - | 276,871,714 | 10,345,460 | 287,217,174 |
| Other comprehensive income for the year | - | - | 77,854,103 | 77,854,103 | (42,726,334) | 35,127,769 |
| Transactions with owners | - | (71,059,307) | - | (71,059,307) | 48,371,049 | (22,688,258) |
| Exercise of share options | 9,777,886 | - | (1,832,173) | 7,945,713 | - | 7,945,713 |
| Share based payments charge | - | - | 7,863,632 | 7,863,632 | - | 7,863,632 |
| Purchase of treasury shares | - | - | (6,699,627) | (6,699,627) | - | (6,699,627) |
| Dividends | - | (117,314,130) | - | (117,314,130) | (55,439,843) | (172,753,973) |
| **Balance at 30 June 2019** | **260,373,250** | **1,133,856,564** | **(126,042,298)** | **1,268,187,516** | **2,187,495** | **1,270,375,011** |

**HISTORICAL COST**

| | Attributable To Equity Holders Of The Parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital and share premium ZWL | Distributable Reserves ZWL | Other Reserves ZWL | Total ZWL | Non-Controlling Interests ZWL | Total ZWL |
| **Balance at 1 July 2019** | **18,178,323** | **45,286,075** | **36,206,354** | **99,670,752** | **(695,390)** | **98,975,362** |
| Profit for the year | - | 394,451,022 | - | 394,451,022 | 3,070,303 | 397,521,325 |
| Other comprehensive income for the year | - | - | 605,565,548 | 605,565,548 | 7,786,046 | 613,351,594 |
| Purchase of treasury shares | - | - | (381,235) | (381,235) | - | (381,235) |
| Transactions with owners | - | (1,047,780) | (209,282) | (1,257,062) | 1,204,370 | (52,692) |
| Dividends | - | (35,236,304) | - | (35,236,304) | (6,198,213) | (41,434,517) |
| **Balance at 30 June 2020** | **18,178,323** | **403,453,013** | **641,181,385** | **1,062,812,721** | **5,167,116** | **1,067,979,837** |
| **Balance at 1 July 2018** | **17,339,703** | **22,845,529** | **(1,730,988)** | **38,454,244** | **(328,392)** | **38,125,852** |
| Profit for the year | - | 32,138,552 | - | 32,138,552 | 269,227 | 32,407,779 |
| Other comprehensive income for the year | - | - | 38,065,691 | 38,065,691 | (557,704) | 37,507,987 |
| Transactions with owners | - | (789,548) | | (789,548) | 537,477 | (252,071) |
| Exercise of share options | 838,620 | - | (157,140) | 681,480 | - | 681,480 |
| Share based payments charge | - | - | 603,398 | 603,398 | - | 603,398 |
| Purchase of treasury shares | - | - | (574,607) | (574,607) | - | (574,607) |
| Dividends | - | (8,908,458) | | (8,908,458) | (615,998) | (9,524,456) |
| **Balance at 30 June 2019** | **18,178,323** | **45,286,075** | **36,206,354** | **99,670,752** | **(695,390)** | **98,975,362** |

## ABRIDGED GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | Year ended 30-Jun-20 Audited ZWL | Year ended 30-Jun-19 Audited ZWL | Year ended 30-Jun-20 Unaudited ZWL | Year ended 30-Jun-19 Audited ZWL |
| **Cash generated from operations** | **1,865,792,192** | **1,222,131,209** | **1,116,086,822** | **73,586,884** |
| Net interest paid | (272,964,286) | (70,647,124) | (99,473,803) | (1,556,944) |
| Tax paid | (157,852,712) | (290,631,859) | (52,414,610) | (14,524,731) |
| **Net cash flow from operating activities** | **1,434,975,194** | **860,852,226** | **964,198,409** | **57,505,209** |
| **Investing activities** | **(793,470,718)** | **(753,304,263)** | **(403,715,383)** | **(32,315,852)** |
| **Net cash inflow before financing activities** | **641,504,476** | **107,547,963** | **560,483,026** | **25,189,357** |
| **Financing activities** | **(63,520,387)** | **(292,818,967)** | **122,632,730** | **(14,677,060)** |
| **Net increase/(decrease) in cash and cash equivalents** | **577,984,089** | **(185,271,004)** | **683,115,756** | **10,512,297** |
| **Effects of currency translation on cash and cash equivalents** | **100,756,522** | **62,695,190** | **113,457,416** | **207,540** |
| **Cash and cash equivalents at the beginning of the year** | **135,726,739** | **258,302,553** | **17,894,178** | **7,174,341** |
| **Cash and cash equivalents at the end of the year** | **814,467,350** | **135,726,739** | **814,467,350** | **17,894,178** |

# Audited Abridged Financial Results

FOR THE YEAR ENDED 30 JUNE 2020

Simbisa Brands LIMITED

## NOTES TO THE AUDITED ABRIDGED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2020

**1 General information**

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

**2 Accounting policies**

The Group reports in terms of International Financial Reporting Standards (IFRS). The principal accounting policies of the Group have been applied consistently in all material respects, except for IAS 29 and IFRS 16, with those of the previous year. There is a significant impact from the implementation of IFRS 16, a standard which became effective for the Group on 1 July 2019. Refer to Note 5 for more information on the impact.

The abridged consolidated financial results do not include all of the information and disclosures required to fully comply with IFRS and should be read in conjunction with the Group's annual financial statements as at 30 June 2020 which are available for inspection at the Company's registered office.

**3 Basis of preparation**

The Group`s financial statements for year ended 30 June 2020 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require interim financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as a minimum, contain the information required by IAS 34, 'Interim Financial Reporting.' The consolidated financial statements have been prepared based on the statutory records that are maintained under the historical cost basis. The consolidated financial statements are presented in Zimbabwean dollars ("ZWL") and all values are rounded to the nearest dollar, except where otherwise indicated. The principal accounting policies applied in the preparation of the consolidated financial statements are in terms of IFRS except for the non-compliance with IAS 21, 'The Effects of Change in Foreign Exchange Rates' and its consequential impact on the inflation adjusted amounts determined in terms of IAS 29, 'Financial Reporting in Hyperinflationary Economies' and have been applied consistently in all material respects with those of the previous consolidated annual financial statements. In the current year, the Group has included the adoption of IAS29 and IFRS 16.

**4 Summarised segment information**

**INFLATION ADJUSTED**

| Year ended 30 June 2020 | Zimbabwe Audited ZWL | Region Audited ZWL | Net eliminations Audited ZWL | Total Audited ZWL |
|---|---|---|---|---|
| Revenue | 3,570,624,693 | 5,672,173,589 | - | 9,242,798,282 |
| Operating profit before depreciation and amortisation | 179,356,291 | 1,114,881,283 | - | 1,294,237,574 |
| Depreciation, amortisation and impairment | (92,105,727) | (745,083,168) | - | (837,188,895) |
| Profit before tax | 761,547,412 | 184 263 421 | - | 945,810,833 |
| Capital expenditure | 260 084 340 | 448 324 830 | - | 708,409,170 |
| Segment assets | 2,265,994,420 | 3,686,282,639 | (36,508,500) | 5,915,768,559 |
| Segment liabilities | 1,181,954,059 | 3,002,761,637 | (41,090,445) | 4,143,625,251 |

| Year ended 30 June 2019 | Zimbabwe Audited ZWL | Region Audited ZWL | Net eliminations Audited ZWL | Total Audited ZWL |
|---|---|---|---|---|
| Revenue | 3,282,863,206 | 6,107,176,752 | - | 9,390,039,958 |
| Operating profit before depreciation and amortisation | 96,485,385 | 354 292 366 | | 450 777 751 |
| Depreciation, amortisation and impairment | (74,503,399) | (205,120,847) | - | (279,624,246) |
| Profit/(loss) before tax | 484,866,174 | 57 442 376 | - | 542 308 550 |
| Capital expenditure | 305 164 657 | 386 079 189 | - | 691,243,846 |
| Segment assets | 1,181,860,652 | 2,445,216,210 | (63,790,911) | 3,563,285,951 |
| Segment liabilities | 550,439,960 | 1,802,631,197 | (60,160,258) | 2,292,910,899 |

**HISTORICAL COST**

| Year ended 30 June 2020 | Zimbabwe Unaudited ZWL | Region Unaudited ZWL | Net eliminations Unaudited ZWL | Total Unaudited ZWL |
|---|---|---|---|---|
| Revenue | 1,437,171,583 | 1,666,303,631 | - | 3,103,475,214 |
| Operating profit before depreciation and amortisation | 96,485,385 | 354 292 366 | | 450 777 751 |
| Depreciation, amortisation and impairment | (15,105,857) | (277,960,003) | - | (293,065,860) |
| Profit before tax | 484,866,174 | 57 442 376 | - | 542 308 550 |
| Capital expenditure | 105 636 560 | 252 706 793 | - | 358 343 353 |
| Segment assets | 1,442,717,302 | 3,686,282,639 | (36,508,500) | 5,092,491,441 |
| Segment liabilities | 1,062,842,300 | 3,002,759,761 | (41,090,443) | 4,024,511,618 |

| Year ended 30 June 2019 | Zimbabwe Audited ZWL | Region Audited ZWL | Net eliminations Audited ZWL | Total Audited ZWL |
|---|---|---|---|---|
| Revenue | 254,869,140 | 135,924,655 | - | 390,793,795 |
| Operating profit before depreciation and amortisation | 53,046,694 | 10,984,884 | - | 64,031,578 |
| Depreciation and amortisation | (4,759,089) | (4,957,154) | - | (9,716,243) |
| Profit before tax | 45,634,425 | 4,199,736 | - | 49,834,161 |
| Capital expenditure | 18 387 081 | 12 552 777 | - | 30 939 858 |
| Segment assets | 104 673 521 | 184 078 682 | (8,546,699) | 280 205 504 |
| Segment liabilities | 48 886 504 | 137 095 539 | (4751 901) | 181 230 142 |

**5 Leases**

The Group has applied IFRS 16 using the modified retrospective approach with effect from 1 July 2019. Comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises a right of use asset and lease liabilities for its leases.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. Right of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The lease liability and right of use asset were remeasured as at 30 June 2020 to take account of changes in the lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

i Applied a single discount rate to a portfolio of leases with similar characteristics

ii Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of remaining lease term.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the period:

| | Inflation adjusted Audited ZWL | Historical cost Unaudited ZWL |
|---|---|---|
| **Right of Use Asset** | | |
| **As at 1 July 2019** | - | - |
| Initial Recognition | 1,718,327,598 | 191,614,165 |
| Additions | 12,276,032 | 3,101,023 |
| Disposals | (12,195,856) | (4,097,155) |
| Depreciation expense | (489,154,099) | (166,793,991) |
| Remeasurement | 241,924,268 | 220,017,089 |
| Effects of IAS 29 | (1,227,336,812) | - |
| Exchange differences on translation of foreign subsidiaries | 1,126,367,461 | 1,126,367,461 |
| **As at 30 June 2020** | **1,370,208,592** | **1,370,208,592** |
| **Lease liability** | | |
| **As at 1 July 2019** | - | - |
| Initial Recognition | 1,718,327,598 | 191,614,165 |
| Additions | 7,427,616 | 1,560,721 |
| Accretion of interest | 209,535,592 | 76,281,277 |
| Payments | (605,316,553) | (211,900,636) |
| Remeasurement | 241,924,268 | 220,017,089 |
| Effects of IAS 29 | (1,294,325,905) | - |
| Exchange differences on translation of foreign subsidiaries | 1,179,367,067 | 1,179,367,067 |
| **As at 30 June 2020** | **1,456,939,683** | **1,456,939,683** |
| Non-current | 1,091,229,101 | 1,091,229,102 |
| Current | 365,710,582 | 365,710,582 |

## NOTES TO THE AUDITED ABRIDGED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2020 - *(continued)*

**6 Financial assets**

| INFLATION ADJUSTED | Currency of Denomination | Rate of Interest per annum | Year Repayable | 30-Jun-20 Audited ZWL | 30-Jun-19 Audited ZWL |
|---|---|---|---|---|---|
| **Financial assets held at amortised cost** | | | | | |
| Long-term receivable (unsecured) - non current | USD | 2% | 2020 | - | 119,637,180 |
| Medium term receivable (secured) - non current | ZWL | 3% | 2020 | - | 51,802,863 |
| Short term receivable (secured) - current | ZWL | 35% | 2021 | 92,435,346 | - |
| | | | | **92,435,346** | **171,440,043** |

| HISTORICAL COST | Currency of Denomination | Rate of Interest per annum | Year Repayable | 30-Jun-20 Unaudited ZWL | 30-Jun-19 Audited ZWL |
|---|---|---|---|---|---|
| **Financial assets held at amortised cost** | | | | | |
| Long-term receivable (unsecured) - non current | USD | 2% | 2020 | - | 8,802,638 |
| Medium term receivable (secured) - non current | ZWL | 3% | 2020 | - | 6,187,206 |
| Short term receivable (secured) - current | ZWL | 35% | 2021 | 92,435,346 | - |
| | | | | **92,435,346** | **14,989,844** |

**7 Hyper inflation**

The Public Accountants and Auditors Board of Zimbabwe ("PAAB"), through its pronouncement 01/2019, provided guidance to all entities that report based on the International Financial Reporting Standards (IFRSs) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS 29) in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 apply the requirements of IAS 29 "Financial Reporting in Hyperinflationary economies.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current as at the balance sheet date, and that corresponding figures for previous periods be restated on the same basis. The restatement of Zimbabwean operations' financial statements was performed using conversion factors based on changes in the Consumer Price Index (CPI). The CPI is issued by the Zimbabwe National Statistical Agency (Zimstat). The indices and conversion factors used to restate the accompanying financial statements are as follows:

| | Indices | Conversion Factor |
|---|---|---|
| 30 June 2020 | 1,445.2 | 1.00 |
| 30 June 2019 | 172.6 | 8.37 |
| 30 June 2018 | 62.6 | 23.09 |
| Average – 12 months to 30 June 2020 | 640.4 | 3.12 |
| Average – 12 months to 30 June 2019 | 109.3 | 13.60 |

**8 Borrowings**

**Non-current borrowings**

The Group's non-current borrowings are repayable from July 2019 to July 2021. The facilities are secured with a corporate guarantee and bear interest at an average rate of 9% in the Region segment.

**Current borrowings**

Short-term borrowings form part of the Group's core borrowings and are renewed on maturity in terms of on-going facilities negotiated with the relevant financial institutions. The average interest rate for short-term borrowings is 9% and 33% per annum for the Region and Zimbabwe respectively.

**9 Commitments for capital expenditure**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 30-Jun-20 Audited ZWL | 30-Jun-19 Audited ZWL | 30-Jun-20 Unaudited ZWL | 30-Jun-19 Audited ZWL |
| Authorised by Directors and contracted | 233,745,643 | 326,200,330 | 233,745,643 | 38,960,566 |
| Authorised by Directors but not contracted | 210,370,653 | 471,033,467 | 210,370,653 | 56,259,080 |
| | **444,116,296** | **797,233,797** | **444,116,296** | **95,219,646** |

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

**10 Changes in interests in subsidiaries**

**Acquisition of additional interest in Mauritius**

Effective 1 July 2019, the Group acquired the remaining 12.5% interest in Simbisa Brands Mauritius for ZWL 716,140 The transaction did not result in a change in control and has been treated as a transaction among owners, with a difference of ZWL (9,023,160) recognised in equity.

**11 Earnings per share**

| | Inflation Adjusted | | Historical Cost | |
|---|---|---|---|---|
| | 30-Jun-20 Audited ZWL | 30-Jun-19 Audited ZWL | 30-Jun-20 Unaudited ZWL | 30-Jun-19 Audited ZWL |
| **Basic and Diluted earnings** | | | | |
| Profit attributable to equity holders of the parent (basic and diluted earnings) | 583,998,634 | 276,871,714 | 394,451,022 | 32,138,552 |
| **Number of shares in issue for Basic earnings per share** | | | | |
| Number of ordinary shares in issue | 562 184 788 | 557 234 788 | 562 184 788 | 557 234 788 |
| **Weighted average number of ordinary shares in issue** | **562 184 788** | **557 234 788** | **562 184 788** | **557 234 788** |
| **Number of shares in issue for Diluted earnings per share** | | | | |
| Weighted average number of ordinary shares in issue | 562 184 788 | 557 234 788 | 562 184 788 | 557 234 788 |
| Dilutive impact of employee share option scheme | 4 734 357 | 4 205 530 | 4 734 357 | 4 205 530 |
| **Weighted average number of ordinary shares in issue for diluted earnings per share** | **566 919 145** | **561 440 318** | **566 919 145** | **561 440 318** |
| Basic earnings per share (ZWL cents) | 103.88 | 49.69 | 70.16 | 5.77 |
| Diluted basic earnings per share (ZWL cents) | 103.01 | 49.31 | 69.58 | 5.72 |
| **Reconciliation of basic earnings to headline earnings** | | | | |
| Profit for the year attributable to equity holders of the parent | 583,998,634 | 276,871,714 | 394,451,022 | 32,138,552 |
| Adjustment for capital items (gross of tax): | | | | |
| Profit on disposal of property, plant and equipment | (2,586,491) | (812,180) | (780,999) | (24,950) |
| Impairment of property, plant and equipment | 19,425,173 | 4,526,924 | 19,425,173 | 333,081 |
| Tax effect on adjustments | 639,381 | (629,110) | 193,063 | (43,537) |
| **Headline earnings attributable to ordinary shareholders** | **601,476,697** | **279,957,348** | **413,288,259** | **32,403,146** |
| Headline earnings per share (ZWL cents) | 106.99 | 50.24 | 73.51 | 5.81 |
| Diluted headline earnings per share (ZWL cents) | 106.10 | 49.86 | 72.90 | 5.77 |

At 30 June 2020, no share options (2019: 5,400,000) were excluded from the weighted average number of ordinary shares calculation because their effect would be anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

**12 Events after the reporting date**

Effective 1 July 2020, the Group acquired 75% interest in Kutuma Kenya Limited through it's subsidiary Simbisa International Franchising Limited. The transaction gave the Group control with effect from 1 July 2020. Kutuma Kenya Limited is a food delivery company, whose clients comprise Simbisa Kenya Limited's Dial-A-Delivery and other third party restaurants.

At the time of reporting, the net assets of the Company were undergoing fair valuation for the purposes of completing the accounting for the transaction.

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working world

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF SIMBISA BRANDS LIMITED**

*Report on the Audit of the Annual Financial Statements*

**Adverse Opinion**

We have audited the inflation adjusted consolidated financial statements of Simbisa Brands Limited and its subsidiaries (the Group) as set out on pages 10 to 76, which comprise the Inflation Adjusted Consolidated Statement of Financial Position as at 30 June 2020, the Inflation Adjusted Consolidated Statement of Comprehensive Income, Inflation Adjusted Consolidated Statement of Changes in Equity and Inflation Adjusted Consolidated Statement of Cash Flows for the year then ended, and notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated annual financial statements do not present fairly the financial position of the Group as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for adverse opinion**

**Non-compliance with International Financial Reporting Standards IAS 21- The *Effects of Changes in Foreign Exchange Rates***

*Impact of prior period year not being retrospectively corrected in terms of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. (Zimbabwean operations)*

As explained in note 3 to the inflation adjusted consolidated financial information, the Group applied the Zimbabwean Dollar (ZWL) as its functional currency for the period 1 July 2019 to 30 June 2020. The inflation adjusted consolidated financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro US$ Accounts effective 1 October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS$ and US$. In February 2019 there was a Monetary Policy statement which introduced RTGS$ and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, ZWL (which comprises RTGS$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to ZWL) and whether the 1:1 ZWL: US$ exchange rate was appropriate. We believed that events in the market and subsequent promulgation of the ZWL as a formal currency

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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**TO THE SHAREHOLDERS OF SIMBISA BRANDS LIMITED**

supported a change in functional currency from US$ to ZWL prior to 22 February 2019 and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US$ exchange rate and this occurred effective 1 October 2018.

In addition, for the period after the date of change in functional currency of 22 February 2019 the Directors used the official interbank rate to translate foreign denominated transactions and balances. The rates used did not meet IAS21 requirements. In addition, the translation of financial statement elements at different exchange rates and resultant exchange difference was not in accordance with IFRS.

Accordingly, the 30 June 2019 consolidated financial statements of the Group included balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflects the economic substance of its value as required by IFRS for the portions of the balances representing the Zimbabwean operations (company and subsidiaries).

The above matters which gave rise to the adverse opinion in the prior year have not been corrected or resolved as required by IAS 8- *Accounting Policies, Changes in Accounting Estimates and Errors.*

Consequently:

- All corresponding numbers remain misstated on the: inflation adjusted Statement of Financial Position, inflation adjusted Statement of Cash Flows, inflation adjusted Statement of Profit or Loss and inflation adjusted Statement of Changes in Equity, this also impacts comparability of the current year's figures

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

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

*Exchange rates used in current year (Zimbabwean operations)*

The Group used the interbank exchange rate in current year (from 1 July 2019 to 22 June 2020) and an auction rate from 23 June 2020 to 30 June 2020 to translate foreign currency transactions and a transactions-based closing exchange rate to translate foreign balances on 30 June 2020. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21. In view of the continued distortions in the foreign exchange market during the year, the Group indicated that it could not establish observable market-wide exchange rates that meet the requirements of IAS21, this is the same issue that contributed to the adverse opinion in prior year on this matter.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**TO THE SHAREHOLDERS OF SIMBISA BRANDS LIMITED**

As a result, all amounts in the inflation adjusted Statement of Profit or Loss and Other Comprehensive Income are impacted except for net interest costs, other income, operating expenses and impairments.

In addition, the following accounts on the inflation adjusted Statement of Financial Position that include balances comprising of foreign currency components are misstated due to the application of a rate not in compliance with IAS 21.:

- ZWL665 503 594 included in Cash and Bank balances of ZWL814 467 350

- ZWL119 443 812 included in Trade and other payables of ZWL1 353 925 486

- ZW167 169 278 included in Inventories of ZWL330 831 685

Consequently, income tax payable, distributable reserves and non-controlling interests are impacted by the misstatement to profit or loss as noted above.

However, owing to the lack of market-wide information on observable spot exchange rates available to the Group and the other matters discussed above it is not possible to quantify the impact of this on the Group's inflation adjusted financial statements for the year under consideration.

*Reporting in Hyper-Inflationary Economies– IAS29 (Zimbabwe Operations)*

Furthermore, notwithstanding that the accounting policies also include the requirements from IAS 29 - *Financial Reporting in Hyperinflationary Economies* which has been applied from 1 July 2019 to 30 June 2020, it is noted that its application was based on prior and current periods' financial information for which we are modifying in respect of the non-correction of the prior period errors and other current year matters as described above. Had the correct base numbers and start date been used, virtually all the elements of the inflation adjusted annual financial statements would have been materially different and the impact cannot be quantified as discussed above.

*Consolidation of Foreign Subsidiaries using foreign exchange rates that are not in compliance with IAS 21(Foreign Operations)*

Further to the issue noted above in respect of inappropriate spot rates, management used transaction based exchange rates to translate the foreign subsidiaries to group reporting currency, ZWL, on consolidation. This impacted the manner in which the results of the foreign operations were translated into the group amounts on consolidation. It is not possible to quantify the misstatements as an appropriate exchange rate cannot be determined for the reasons stated above. In addition the portions of the amounts impacted by the translation of foreign operations has also not been presented as it results in a misstatement of all amounts on the inflation adjusted financial statements except for Share Capital, Share Premium, Financial Assets, Shareholders for Dividends , Bank overdraft and Borrowings on the inflation adjusted Statement of Financial Position and is a major or material component of line items impacted.

This matter 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 SIMBISA BRANDS LIMITED**

*Overall*

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated financial statement as when combined virtually all amounts are misstated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Inflation adjusted annual financial statements section* of our report of the Group. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

**Key Audit Matters**

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

**Other information**

The directors are responsible for the other information. The other information comprises the Chairman's Statement and Press Release, the Directors' Approval and Responsibility Statement, the Report of the Directors and the Historical Cost Financial Information, which we obtained prior to the date of this report. The other information does not include the consolidated 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Adverse Opinion section above, the Group and Company did not comply with the requirements of IAS 21 – *Effects of Changes in Foreign Exchange Rates* and IAS 8- *Accounting Policies, Changes in Accounting Estimates and Error* and other matters

We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items included therein and affected by the failure to comply with the referred standard.

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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**TO THE SHAREHOLDERS OF SIMBISA BRANDS LIMITED**

**Responsibilities of the Directors for the consolidated Inflation adjusted annual financial statements**

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Inflation Adjusted Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**TO THE SHAREHOLDERS OF SIMBISA BRANDS LIMITED**

- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this independent auditor's report is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

15 October 2020