



# starafriacorporation limited

## Abridged Audited Financial Results For The Year Ended 31 March 2021



### SALIENT FEATURES FOR THE YEAR

	INFLATION ADJUSTED	HISTORICAL
<b>Revenue</b>	↑ +23%	+542% ↑
<b>EBITDA</b>	↓ -3%	+345% ↑
<b>Net assets</b>	↑ +15%	+314% ↑

### CHAIRMAN'S STATEMENT

#### OVERVIEW

I take great pleasure in presenting the results for the year ended 31 March 2021. The results are a clear outcome of the progressive efforts the Group has made in strengthening its balance sheet and maintaining profitability despite the vagaries of the harsh operating environment.

The broader business environment for the year under review was mainly shaped by the effects of the Covid-19 pandemic, particularly the national lockdowns which caused inevitable business disruptions for some parts of the year. Government's introduction of the Foreign Currency Auction Trading System in June 2020 managed to restore currency stability in the second half of the year. Fuel and power supply improved during the period under review. The critical support given to the agricultural sector and the above normal rainfall have yielded a bumper crop for the 2020/2021 farming season, which reduces the import bill for grains and ensures that inflationary pressures on the consumer food basket are mitigated. This will also have a positive impact on disposable incomes. These interventions saw inflation closing the year under review at 240.6%, a significant decline from the peak of 837.53% recorded in July 2020.

#### GROUP RESULTS

The financial results of the Group have been inflation adjusted in compliance with the requirements of International Accounting Standard (IAS) 29 and the historical numbers have been disclosed as supplementary information. Turnover increased by 23% to ZWL5.08 billion compared with ZWL4.12 billion realized in the prior year. The Group's resilient efforts in clearing the Secondary Scheme of Arrangement debts resulted in 99.8% of the liabilities having been paid off by the end of the year under review. A downward adjustment in the fair value on investment properties caused by loss in value of properties in the market in real terms impacted negatively on profitability. The Group also incurred a monetary loss of ZWL163 million caused by depreciation of the value of the monetary assets it holds, which resulted in Profit After Tax of ZWL 109.7 million, compared with ZWL185.9 million achieved last year.

In historical terms, revenue increased by 542% to ZWL3.8 billion from ZWL597 million recorded in the prior year, while profit for the year increased by 651% to ZWL497 million from a prior year achievement of ZWL66.2 million.

The Group's net working capital position strengthened significantly by 78% to ZWL306.2 million up from ZWL172.2 million achieved last year.

#### OPERATIONS

##### Goldstar Sugars Harare (GSSH)

GSSH's production was adversely affected by an increased plant breakdown profile, a 3-week total shutdown in operations caused by a Covid-19 incident at the Harare Refinery between July and August 2020 and a fire that razed down the raw sugar warehouse which resulted in a decrease in production of 9% from 65,568 to 59,571 tonnes of refined sugar produced in the current year. The business unit sold 60,386 tonnes against 63,993 tonnes sold last year. The 5.6% drop in sales volumes is largely attributable to interruptions to production due to Covid-19 related factors and plant downtime. Demand for our products remained strong with volumes constrained only by production challenges.

A comprehensive capital investment strategy and equipment maintenance plan are now in place and will be implemented at an accelerated pace now that the business has returned to viability. This will have a positive impact on plant availability which will improve productivity and profitability in the ensuing year. The plant continued to be certified by The Coca Cola Company ("TCCC") as well as Food Safety System Certification under the FSSC 22000 series. Post-year end, GSSH was also given full authorization by TCCC for bottler ingredient supply to the whole of Africa. This will open new markets for GSSH and pave the way for sugar specialty products to be exported into the region and beyond.

##### Country Choice Foods (CCF)

The CCF range of products expanded in the current year as the unit continues growing with its thrust to maximize on production of sugar specialties and other sugar related products in synergy with production from Gold Star Sugars. Sales volumes increased by 19%. This is indicative of the success of efforts CCF is making in increasing its market share.

##### Properties Business

This business recorded a 54% increase in turnover, from ZWL13.4 million recorded in prior year to ZWL20.7 million. The increase was due to improved occupancy levels and higher negotiated rental amounts per month charged despite the impact of the Covid-19 pandemic which had an adverse impact on tenants' ability to make rental payments timely.

##### Tongalet Hulett Botswana (THB)

THB continued to grow and dominate the Botswana market with the associate posting a profit after tax of ZWL208.6 million of which the Group's share was ZWL69.5 million after converting the earnings into Zimbabwean Dollars at the official exchange rate as at 31 March 2021. The profit after tax in the associate grew 77% from prior year in Zimbabwe dollar terms largely as a result of the depreciation of the local currency against the Pula.

#### SECONDARY SCHEME OF ARRANGEMENT

The Secondary Scheme of Arrangement, whose tenure expires in February 2022, remains in place with 99.8% of creditors having been settled leaving an amount of only ZWL1.3 million in liabilities under the Scheme as at the end of year under review with ZWL654,451 of this balance having been settled immediately after year end. The Group continues with efforts to trace the whereabouts of the few remaining local Scheme creditors with a view to clearing the small amounts still outstanding within the time frame of the Scheme. All outstanding foreign liabilities have now been settled.

#### BOARD OF DIRECTORS

Mrs. E. Machaka Madziva resigned from the post of Finance Director with effect from 31 December 2020 and the Board wishes her success in her new endeavors. Mr. C. Matorera was appointed to the Board with effect from 29 June 2021. His confirmation as a director will be put to the next Annual General Meeting. The Board extends a warm welcome to Mr. Matorera and wishes him a fruitful tenure on the Board.

#### DIVIDEND

After taking due cognizance of the need to accelerate the capital upgrade of the sugar refining plant, the Board recommends that no dividend is declared at this stage.

#### OUTLOOK

The Group has expunged the legacy liabilities and is now on a renewed drive to re-tool its operations, attend to plant downtime through replacement of critical machinery and grow its market share locally and in the region. The phased refurbishment of the dry section of the sugar refining plant (Secondary Plant) will be accelerated in the ensuing year, with work having commenced on replacement of centrifugal machines, rehabilitation of the raw sugar warehouse and procurement of an effluent treatment plant using internally generated funds and foreign currency acquired from the Reserve Bank of Zimbabwe's auction system. This is expected to yield significant efficiencies in the operations of the plant and reduce the plant downtime that negatively impacted production in the 2021 financial year.

Focus will be directed at growing the company's footprint in the region and beyond in the ensuing financial year by tapping more into the export market buoyed by improved production quantities and the TCCC full authorization to supply bottler ingredients to TCCC's entire Africa Operating Unit. The Group envisages a resumption of exports to the Botswana market in the 2022 financial year which will increase revenue and foreign currency earnings.

The Group continues to fully support efforts by Government towards international re-engagement, positive policy direction and the National Covid-19 Vaccination Program which are expected to continue fostering business and economic recovery in the nation. For its part, the Group will continue to implement all the mitigatory measures recommended by the World Health Organization (WHO) and Ministry of Health and Child Care at its operational units. Government's efforts in arresting hyperinflation and arbitrage tendencies in the economy are largely expected to yield sustained economic stability and open up capital markets for the Group to continue its expansion drive.

#### CONCLUSION

Given that the company's fortunes have improved significantly, emerging from the recovery period with a strong and clean balance sheet and excellent trading prospects going forward, it is appropriate that I step down from the board at this juncture. This will allow fresh leadership at board level to lead the company on its new trajectory. It has been an honour and privilege to lead the turnaround efforts to fruition. I would like to express my sincere gratitude to fellow board members, shareholders, customers, lenders and various stakeholders for the support they have given to StarAfrica Corporation Limited. Finally, I would like to pay special tribute to management and employees of the company for demonstrating resilience and commitment to the company during very challenging times. The Group is poised for growth and success into the future.

*J.S. Mutizwa*

J.S. Mutizwa  
Chairman

21 July 2021

### ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the year ended 31 March 2021

	INFLATION ADJUSTED			HISTORICAL	
	Audited March 2021 ZWL\$	Restated March 2020 ZWL\$	Notes	Unaudited March 2021 ZWL\$	Restated March 2020 ZWL\$
<b>Revenue</b>	<b>5 081 284 202</b>	<b>4 120 066 461</b>		<b>3 832 897 658</b>	<b>597 216 636</b>
<b>Earnings before Interest Tax Depreciation &amp; Amortisation (EBITDA)</b>	<b>678 727 698</b>	<b>703 062 690</b>		<b>468 986 237</b>	<b>105 335 685</b>
Depreciation	(35 124 583)	(35 386 231)		(6 414 410)	(2 953 881)
<b>Earnings before Interest &amp; Tax</b>	<b>643 603 115</b>	<b>667 676 459</b>		<b>462 571 827</b>	<b>102 381 804</b>
Fair value adjustment on investment property	(53 433 655)	(47 810 444)		324 957 984	135 233 093
Exchange loss	(201 256 261)	(492 092 250)	1.2	(200 605 081)	(143 268 359)
Monetary (loss)/gain	(163 295 557)	304 402 417		-	-
Net finance costs	(60 207 214)	(85 013 459)		(45 069 322)	(10 464 571)
Share of profit of an associate	69 522 118	39 320 623		69 522 118	11 546 176
<b>Profit before taxation</b>	<b>234 932 546</b>	<b>386 483 346</b>		<b>611 377 526</b>	<b>95 428 143</b>
Income tax expense	(125 269 467)	(200 609 532)		(114 386 759)	(29 189 415)
<b>Profit for the period</b>	<b>109 663 079</b>	<b>185 873 814</b>		<b>496 990 767</b>	<b>66 238 728</b>
<b>Profit for the period attributable to:</b>					
Non controlling interest	3 715 996	(3 737 670)		26 145 769	7 981 983
Equity holders of the parent	105 947 083	189 611 484		470 844 998	58 256 745
	<b>109 663 079</b>	<b>185 873 814</b>		<b>496 990 767</b>	<b>66 238 728</b>
<b>Earnings per share (cents)</b>					
Basic	2.20	3.94	5	9.79	1.21
Diluted	2.20	3.94	5	9.79	1.21
Headline	4.99	13.39	5	7.21	1.62
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\$)	239 862 923	643 937 917		346 729 481	77 932 534

The historical amounts are shown as supplementary information. This does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29 – Financial Reporting in Hyperinflationary economies. As a result, the auditors have not expressed an opinion on the historical financial information.

### ABRIDGED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME for the year ended 31 March 2021

	INFLATION ADJUSTED			HISTORICAL	
	Audited March 2021 ZWL\$	Restated March 2020 ZWL\$	Notes	Unaudited March 2021 ZWL\$	Restated March 2020 ZWL\$
<b>Profit for the year</b>	<b>109 663 079</b>	<b>185 873 814</b>		<b>496 990 767</b>	<b>66 238 728</b>
<b>Other comprehensive income (net of tax)</b>	<b>93 878 901</b>	<b>130 281 203</b>		<b>511 552 483</b>	<b>201 405 354</b>
Exchange differences on translating foreign operations	156 251 845	158 337 950		156 251 845	46 494 631
Revaluation of property plant and equipment net of tax	(62 372 944)	(28 056 747)		355 300 638	154 910 723
<b>Total comprehensive income for the period</b>	<b>203 541 980</b>	<b>316 155 017</b>		<b>1 008 543 250</b>	<b>267 644 082</b>
Total comprehensive income for the period attributable to:					
Non controlling interest	3 715 996	(3 737 670)		26 145 769	7 981 983
Equity holders of the parent	199 825 984	319 892 687		982 397 481	259 662 099
	<b>203 541 980</b>	<b>316 155 017</b>		<b>1 008 543 250</b>	<b>267 644 082</b>

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### ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2021

	INFLATION ADJUSTED			HISTORICAL	
	Audited March 2021 ZWL\$	Restated March 2020 ZWL\$	Notes	Unaudited March 2021 ZWL\$	Unaudited March 2020 ZWL\$
<b>ASSETS</b>					
<b>Non current assets</b>	<b>1 501 219 842</b>	<b>1 799 240 628</b>		<b>1 238 365 661</b>	<b>459 686 251</b>
Property plant and equipment	851 065 984	1 093 981 540	3	588 211 803	252 592 746
Investment property	482 260 000	535 693 657	3	482 260 000	157 302 017
Investment in associate	167 893 858	169 565 431		167 893 858	49 791 488
<b>Current assets</b>	<b>831 226 208</b>	<b>945 513 562</b>		<b>815 915 549</b>	<b>260 488 810</b>
<b>Total assets</b>	<b>2 332 446 050</b>	<b>2 744 754 190</b>		<b>2 054 281 210</b>	<b>720 175 061</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>1 532 196 415</b>	<b>1 328 654 435</b>		<b>1 328 910 969</b>	<b>321 009 682</b>
Attributable to equity holders of the parent	1 463 662 571	1 094 823 835		1 292 194 725	288 971 055
Equity component of compound financial instruments	2 754 099	171 766 851	6	99 792	21 567 944
Non controlling interest	65 779 745	62 063 749		36 616 452	10 470 683
<b>Non current liabilities</b>	<b>275 224 505</b>	<b>642 835 785</b>		<b>200 345 111</b>	<b>172 102 802</b>
Loans and borrowings	-	375 741 477	4	-	110 333 381
Deferred tax liability	275 224 505	267 094 308		200 345 111	61 769 421
<b>Current liabilities</b>	<b>525 025 130</b>	<b>773 263 970</b>		<b>525 025 130</b>	<b>227 062 577</b>
Loans and borrowings	1 342 302	191 061 360	4	1 342 302	56 103 590
Trade and other payables	523 682 828	582 202 610		523 682 828	170 958 987
<b>Total liabilities</b>	<b>800 249 635</b>	<b>1 416 099 755</b>		<b>725 370 241</b>	<b>399 165 379</b>
<b>Total equity and liabilities</b>	<b>2 332 446 050</b>	<b>2 744 754 190</b>		<b>2 054 281 210</b>	<b>720 175 061</b>

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starafriacorporation  
limited

## Abridged Audited Financial Results For The Year Ended 31 March 2021



### ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2021

	INFLATION ADJUSTED		HISTORICAL	
	Audited March 2021 ZWL\$	Restated March 2020 ZWL\$	Unaudited March 2021 ZWL\$	Unaudited March 2020 ZWL\$
<b>Cash flows generated from operations</b>	<b>462 766 223</b>	<b>358 337 148</b>	<b>66 996 190</b>	<b>28 906 775</b>
Taxation paid	(89 937 370)	(11 990 067)	(73 791 592)	(2 184 769)
Net Finance costs paid	(335 948)	(30 594 649)	(28 736)	(1 821 239)
<b>Net cash flows from operating activities</b>	<b>372 492 905</b>	<b>315 752 431</b>	<b>(6 824 138)</b>	<b>24 900 767</b>
<b>Net cash flows received from investing activities</b>	<b>85 577 274</b>	<b>33 645 700</b>	<b>76 050 540</b>	<b>6 619 899</b>
<b>Net cash flows (used) in financing activities</b>	<b>(77 644 962)</b>	<b>(59 024 906)</b>	<b>(63 971 488)</b>	<b>(10 623 674)</b>
<b>Net increase in cash and cash equivalents</b>	<b>380 425 217</b>	<b>290 373 226</b>	<b>5 254 914</b>	<b>20 896 992</b>
Net foreign exchange difference	(315 380 269)	(351 383 136)	177 451 856	19 408 879
Cash and cash equivalents at 1 April	166 575 277	227 585 187	48 913 454	8 607 583
Cash and cash equivalents at 31 March	231 620 225	166 575 277	231 620 224	48 913 454

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### ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2021

	Equity holders of the parent	Equity component of compound financial instruments	Non-controlling interest	Total
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
<b>INFLATION ADJUSTED</b>				
<b>Balance as at 31 March 2019</b>	<b>774 931 148</b>	<b>117 636 185</b>	<b>65 801 419</b>	<b>958 368 752</b>
<b>Balance as at 1 April 2019</b>	<b>774 931 148</b>	<b>117 636 185</b>	<b>65 801 419</b>	<b>958 368 752</b>
Total comprehensive income	319 892 687	61 896 006	(3 737 670)	378 051 023
Profit for the period	189 611 484	-	(3 737 670)	185 873 814
Other comprehensive income	130 281 203	61 896 006	-	192 177 209
Settlement of compound financial instruments	-	(7 765 340)	-	(7 765 340)
<b>Balance as at 31 March 2020</b>	<b>1 094 823 835</b>	<b>171 766 851</b>	<b>62 063 749</b>	<b>1 328 654 435</b>
Total comprehensive income	344 190 631	(144 364 647)	3 715 996	203 541 980
Profit for the period	105 947 083	-	3 715 996	109 663 079
Other comprehensive income	238 243 548	(144 364 647)	-	93 878 901
Settlement of compound financial instruments	24 648 105	(24 648 105)	-	-
<b>Balance as at 31 March 2021</b>	<b>1 463 662 571</b>	<b>2 754 099</b>	<b>65 779 745</b>	<b>1 532 196 415</b>
<b>HISTORICAL</b>				
<b>Balance as at 1 April 2019</b>	<b>29 308 956</b>	<b>4 449 161</b>	<b>2 488 700</b>	<b>36 246 817</b>
Total comprehensive income	259 662 099	18 175 251	7 981 983	285 819 333
Profit for the year	58 256 745	-	7 981 983	66 238 728
Other comprehensive income	201 405 354	18 175 251	-	219 580 605
Settlement of compound financial instruments	-	(1 056 468)	-	(1 056 468)
<b>Balance as at 31 March 2020</b>	<b>288 971 055</b>	<b>21 567 944</b>	<b>10 470 683</b>	<b>321 009 682</b>
Total comprehensive income	1 002 500 965	(20 103 484)	26 145 769	1 008 543 250
Profit for the period	470 844 998	-	26 145 769	496 990 767
Other comprehensive income	531 655 967	(20 103 484)	-	511 552 483
Settlement of compound financial instruments	722 705	(1 364 668)	-	(641 963)
<b>Balance as at 31 March 2021</b>	<b>1 292 194 725</b>	<b>99 792</b>	<b>36 616 452</b>	<b>1 328 910 969</b>

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### SUPPLEMENTARY INFORMATION for the year ended 31 March 2021

	INFLATION ADJUSTED		HISTORICAL	
	March 2021	March 2020	March 2021	March 2020
Number of shares in issue	4 808 662 335	4 808 662 335	4 808 662 335	4 808 662 335
Capital expenditure	47 360 687	49 074 890	33 055 341	7 236 534
Total refined sugar sales (tonnes)	60 388	63 992	60 388	63 992
Inventory (current assets)	316 847 104	411 961 421	306 258 157	112 503 613
Trade and other receivables (current assets)	282 758 874	366 976 865	278 037 167	99 071 743
Trade and other payables (current liabilities)	523 682 826	582 202 610	523 682 828	170 958 987
Property pledged as security	125 828 814	155 661 842	125 828 814	45 708 814
Plant and equipment pledged as security	259 700 000	302 239 049	259 700 000	88 750 000
Interest bearing borrowings	1 342 302	566 802 837	1 342 302	166 436 971
Short term loans	1 342 302	191 061 360	1 342 302	56 103 590
Long term loans	-	371 741 477	-	110 333 381
Average cost of interest bearing borrowings	8%	8%	8%	8%

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### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS for the year ended 31 March 2021

#### 1. Basis of preparation

These abridged consolidated financial results were extracted from the full set of the inflation adjusted 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 Companies and Other Business Entities Act (Chapter 24:31) and the requirements of the Zimbabwe Stock Exchange. The Group's functional and presentation currency for operations in Zimbabwe is the Zimbabwe Dollar (ZWL\$) rounded off to the nearest dollar. The Monetary Authorities introduced the ZWL\$ as the transactional and functional currency on 22 February 2019.

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Continued)

#### 1.1 (a) Legal Currency Issues

On 22 February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019 as an amendment to the Reserve Bank of Zimbabwe Act. It introduced a new currency called the Real Time Gross Settlement Dollar (now ZWL\$) and directed that all assets and liabilities that were in United States Dollars (US\$) immediately before 22 February 2019 (with the exception of those referred to in Section 44C (2) of the Reserve Bank Act) be deemed to have been in ZWL\$ at a rate of 1:1 to the US\$. The guidance issued by the Public Accountants and Auditors Board (PAAB) notes that this is contrary to IAS 21 "The effects of changes in Foreign Exchange Rates". IAS 21 requires an entity to apply certain parameters to determine the functional currency for use in preparing financial statements. It also requires the exercise of judgements regarding exchange rates in circumstances where exchangeability through a legal and market exchange system is not achievable. The Group however adopted the RTGS dollar as the new functional and reporting currency with effect from 22 February 2019 at an interbank midrate of US\$1: ZWL \$2.5 in order to comply with Statutory Instrument 33. The interbank midrate was adopted as it was the only legal source of exchange rates which however did not represent the fair value of the currencies. The company therefore did not conform to the requirements of IAS 21.

On 24 June 2019 Statutory Instrument 142 introduced the Zimbabwean Dollar (ZWL\$) which is at par with the RTGS dollar, that is to say each RTGS dollar is equivalent to a Zimbabwean Dollar. The financial statements have therefore been presented in the Zimbabwean Dollar and all values have been rounded to the nearest ZWL unless otherwise stated.

The Group prepares financial statements with the aim to fully comply with International Financial Reporting Standards (IFRS) which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC). Compliance with IFRS is intended to achieve consistency and comparability of financial statements. However, it has been impracticable to fully comply with IFRS in the current and prior year, due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes foreign exchange rates) as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in the accounting treatment adopted in the 2019, 2020 and 2021 financial statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRS.

#### 1.1 (b) Functional currency considerations

The Group is operating in an environment which has witnessed significant monetary and exchange control policy changes. On the 17th of June 2020, an RBZ Exchange Control Directive RV175/2020 was issued on the introduction of a Foreign Exchange Auction System. The foreign exchange auction trading system was operationalised with effect from 23 June 2020 and foreign currency trading was conducted through the Foreign Exchange Auction Trading System (Auction) through a bidding system. On the 24th of July 2020, Statutory Instrument 185 of 2020 was promulgated which amended the exclusive use of Zimbabwe Dollar for domestic transactions rules by allowing dual pricing and displaying, quoting and offering of prices for domestic goods and services. The SI also permitted any person who provides goods or services in Zimbabwe to display, quote or offer the price for such goods or services in both Zimbabwe dollar and foreign currency at the ruling exchange rate.

Given the context of the changes in the environment, management has assessed if there has been a change in the functional currency used by the Group. The assessment included consideration of whether the use of free funds in paying for goods and services may represent a change in functional currency. In doing so management considered parameters set in IAS 21 as follows:

- The currency that mainly influences the sales prices for goods and services
- The currency of the competitive forces and regulations that mainly determines the sales prices of goods and services.
- The currency that mainly influences labour, material and other costs of providing goods and services (normally the currency in which such costs are denoted and settled)
- The currency in which funds from financing activities are generated; and the currency in which receipts from operating activities are usually retained.

Considering the developments summarised above and guidance from IAS 21, the Directors concluded that the Group's functional currency remains the Zimbabwe dollar (ZWL) as presented in the prior and current year financial statements and all values are rounded to the nearest ZWL\$ except when otherwise indicated.

#### 1.2 Hyperinflation

In October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement prescribing that IAS 29 be applied to all financial statements for periods ending on or after 1 July 2019. The financial results have been prepared using the restatement approach in line with the provisions of IAS 29. The Directors have applied guidance provided by the PAAB and made various assumptions to produce inflation adjusted financial statements.

Hyperinflationary accounting requires transactions and balances of each reporting period to be presented in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index (CPI) published by the Reserve Bank of Zimbabwe as the general price index to restate amounts as it provides an official observable indication of the change in the price of goods and services.

IAS 29 also requires that the corresponding figures for the previous period also be restated in terms of the same measuring unit. The comparative information for the year ended 31 March 2021 was inflation adjusted using the CPI indices as specified in the inflation indices paragraph below.

The following All Items CPI indices were used to prepare the financial statements

Dates	All Items CPI Indices	Conversion Factors
31 March 2021	2 759.8	1.0000
31 March 2020	810.4	3.4055
31 March 2019	98.4	28.0601

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been restated to reflect the change in the general price index as if they had been hyperinflationary from 1 April 2020. 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.

IAS 29 discourages publication of historical financial statements as a supplement to inflation adjusted accounts. As such the historical financial statements as at 31 March 2021 are unaudited. The historical financial statements have however been included to allow comparability during the transitional phase in applying the standard.

#### 2. Going concern

The Group's performance for the year under review resulted in a Profit After Tax (PAT) of ZWL\$109.7 million against a Profit After Tax of ZWL\$185.9 million in 2020 which was weighed down by exchange gains and losses on foreign currency denominated liabilities which will not recur in future. The net asset position increased from \$ 1.33 billion in 2020 to ZWL\$1.53 billion in the year under review and continues to maintain the positive position. The company remains within its borrowing powers as stipulated in its Memorandum and Articles of Association and, through settlement of its foreign currency denominated liabilities, has unlocked more borrowing headroom. It was able to discharge most of the major liabilities in the current year through realising its assets in the normal course of business and thus reducing its exposure to both liquidity and interest risk going forward.

While production decreased from 65 568 tonnes recorded in 2020 to tonnes 59,880 tonnes, it should be noted that the financial year under review was hampered by perennial power cuts, intermittent water supply and more importantly, the adverse effects of the Covid-19 pandemic which resulted in a 3-week shutdown of all operations between July and August 2020. A phased re-opening also followed which meant that normal production only resumed in full swing in October 2020. The resultant lost production accounts for the below prior year performance. The company has been working on several interventions to ensure uninterrupted production as a result of power and water shortages. Below are details of some of these initiatives.

#### Securitisation of Water

Water tanks were procured and commissioned in the current year which has reduced the impact of water interruption and ensuring continuous production. A Brine Recovery System has also been commissioned which will result in savings on water as well as salt usage. The project to install an Effluent Treatment Plant (ETP) to recover 450 m3 of water from the daily demand of 1344 m3 has now gained traction post-year end with the manufacturing of the plant having commenced. These efforts are aimed at ensuring that the company will continue operating seamlessly, reducing downtime and ensuring equipment lifetime is prolonged.

#### Power Supply

Power supply is expected to remain stable with improved water levels in the Kariba dam witnessed in the last rain season. The recent increases in the tariff structure will also aid Zimbabwe Electricity Transmission and Distribution Company (ZETDC) to maintain power inflows from its foreign suppliers and to maintain its critical infrastructure to ensure uninterrupted supply. However, the company continues to look for opportunities for alternative arrangements with long-term plans to tap into solar energy.





**starafriacorporation**  
limited

## Abridged Audited Financial Results

For The Year Ended 31 March 2021



### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Continued)

#### Plant capacity enhancements

The boiler overhaul program which will ensure adequate supply of steam was completed and capital expenditure is being invested in replacing antiquated centrifugal, conveyancing equipment and pipes around the plant which have been causing significant process losses. A robust machinery maintenance program has now been put in place which has led to reduced plant downtime, increased sucrose recoveries and higher-grade quality of granulated sugar being produced. All of these efforts which are part of the refurbishment of the Secondary Plant, are being financed by internally generated resources aided by the foreign currency obtained on the RBZ foreign currency auction system.

The plant was re-certified by The Coca Cola Company (TCCC), DQS, as well as the Food Safety Certification (FSCC 22000) system which allows the company to sell product to TCCC affiliated entities within the Southern Africa region. Post-year end, the company's rating under the Supplier Guiding Principles (SGP) was upgraded to include permissions to export to the whole of Africa which is expected to open up wider markets for the Group's products.

#### Improved Market Penetration

Product demand in the local market grew as some of the key customers continue to experience increased demand for their product locally as well as in the export market. There is ongoing work to refresh the packaging of existing products to enhance customer experience while also establishing a wide range of new products. Over the current year, the entity has managed to introduce new product lines such as jam, peanut butter, flavoured icing and premixes. Post-year end, the company's rating under the Supplier Guiding Principles (SGP) of the The Coca-Cola Company (TCCC) was upgraded to include permissions to export to the whole of Africa which is expected to open up wider markets for the Group's products

#### Secondary Scheme of Arrangement

Implementation of the scheme has progressed to a stage where 99.8% of the convertible debt has been converted to equity thereby significantly reducing the interest burden and contributing to the correction of the balance sheet structure. Management continues to engage the remaining scheme creditors with a view to achieving full settlement of debts before the expiration of the scheme in February 2022.

Management is confident that the current positive position will be maintained and that the financial performance will be further enhanced through the above mentioned efforts. Product and market development for both local and export requirements is expected to meet the forecast volumes for the coming year and beyond.

The financial statements have been 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 volumes will be achieved and the company will continue to be profitable thus realising its assets and discharging its liabilities in the ordinary course of business.

### 3. Revaluation

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 31st of March 2021. Fair value of the properties was determined by Dawn Properties Consultants, an accredited independent valuer using market comparable method and the implicit investment method. The revalued properties consist 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 31 March 2021 was recorded in other comprehensive income (for property plant and equipment) and in the Statement of Profit or Loss (for investment properties).

### 4. Secondary Scheme update

#### a) Intermarket Bank Zambia

This loan related to Red Star Zambia, was unsecured and bore interest at 15% per annum. The amount was being managed separately from the Scheme of Arrangement with repayment terms having been negotiated following new exchange control pronouncement in February 2019. On 10 September 2020, StarAfrica signed a Deed of Settlement with the creditor under which an agreement was made for payment of an amount of USD215,000 in full and final settlement of the principal amount of USD617,000 that had been outstanding. The last instalment of the USD215,000 was settled by the Company in January 2021 thereby extinguishing the liability in full.

#### b) Zimbabwe Sugar Sales (ZSS)

ZSS was owed ZWL\$ 11 333 808 (Historical) for raw sugar supplied in the past and this amount was converted into a five-year loan effective 1 November 2016 and was repayable at the end of five years. The loan had an interest rate of 7% per annum which was payable half yearly and ZSS had the option to convert the loan into ordinary shares at a conversion price of ZWL\$ 0.0125 at its discretion within the loan tenure. The amount outstanding was settled in full in May 2020 which extinguished the liability.

#### c) Concurrent Creditors

The Scheme provided for the conversion of amounts owed to concurrent creditors amounting to ZWL\$ 9 171 160 (Historical unaudited) into a five-year loan. The loan is to be paid at the end of five years and attracts interest at 7% per annum. The interest is payable quarterly but the interest for the first two quarters was capitalised. Concurrent creditors have an option to convert their debt to equity at a conversion price of ZWL\$ 0.0125. In the prior year, the amount consisted mostly of amounts that were due to DuPont Agricole de Portugal. On 2 September 2020, StarAfrica Corporation signed a Deed of Settlement with the creditor under which the total amount that had been outstanding was re-negotiated to USD2.5million payable in part through transfer of 45-47 Douglas Road to Du Pont and the other part through transfer of USD500,000 in cash to DuPont. As at 31 March 2021, the transfer of the property had occurred and the only balance outstanding now stood at USD7 780 which was then settled soon after year end.

#### d) BancABC Loan

The Group received ZWL\$ 1 million for working capital from BancABC in April 2017 in line with the Secondary Scheme of Arrangement. The loan, which was unsecured, attracted interest at 9% per annum payable quarterly but there was a six-month moratorium on the repayment of both interest and principal. The principal amount together with the interest that were due, were settled in full in June 2020 which extinguished the liability.

### 5. 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 \$ 0.0001 each
- Preference Cumulative Shares 3 billion at a nominal price of \$ 0.0001 each

As at 31 March 2021 the actual shares in issue were 4 808 662 335 and these were used for calculation of profit per share as no shares were 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 654 163 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\$476 873 143 against the potential ordinary shares there from 4 809 31 6 498 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.

### 6. Equity Component of Compound Financial Instruments

The balance is for the equity components that arose from the options for debt-to-equity conversions on the Secondary Scheme of Arrangement with, ZSS and Concurrent Creditors which went down due to payments which occurred during the year as below;

#### INFLATION ADJUSTED

Lender	Note	Balance as at 1 April 2020 ZWL\$	Effects of changes in exchange rates ZWL\$	Transfer out after settlement ZWL\$	Closing Balance 31 March 2021 ZWL\$
Zimbabwe Sugar Sales	4(b)	30 551 403	-	(5 397 271)	25 154 132
Con-current creditors	4(c)	141 215 448	(144 364 647)	(19 250 834)	(22 400 033)
<b>Total</b>		<b>171 766 851</b>	<b>(144 364 647)</b>	<b>(24 648 105)</b>	<b>2 754 099</b>

#### HISTORICAL

Lender	Note	Balance as at 1 April 2020 ZWL\$	Effects of changes in exchange rates ZWL\$	Transfer out after settlement ZWL\$	Closing Balance 31 March 2021 ZWL\$
Zimbabwe Sugar Sales	4(b)	491 711	-	(491 711)	-
Con-current creditors	4(c)	21 076 233	(20 103 484)	(872 957)	99 792
<b>Total</b>		<b>21 567 944</b>	<b>(20 103 484)</b>	<b>(1 364 668)</b>	<b>99 792</b>

### NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Continued)

#### 7. Contingencies

##### Peter Mtko v. StarAfrica

Mr. Mtko was employed by Redstar Holdings Limited in Zimbabwe but was subsequently seconded to Redstar Distributors Limited, a subsidiary of Redstar Holdings, in Zambia. When Redstar Distributors was liquidated, he was offered a position within the group in Zimbabwe, which he declined. He then issued summons out of the Zambian High Court against Redstar Holdings, which is a subsidiary of StarAfrica Corporation claiming damages for loss of employment, arrear salaries together with interest and costs of suit. The claim is being contested by the company.

##### City of Harare v. StarAfrica

In August 2017, the City of Harare filed a claim against StarAfrica for outstanding rates, refuse collection and other service charges due for the property 18 Greenock Road, Workington Harare. The claim is being contested by the company.

#### 8. Subsequent Events

##### Labour Case

The company had a labour case following an 11% wage adjustment dispute with CBA governed employees. The company had filed an appeal with the Supreme Court and the matter was heard and judgement was delivered post year-end in favour of the employees. The Group has assessed this to be a material adjusting event after the reporting date for the purposes of financial reporting. Computations have been made and the liability has been quantified at ZWL\$900,951, settlement of which will have minimal impact on the Group's financial standing. The liability has been included in the financial statements for the year ended 31 March 2021.

##### Tax claim by National Social Security Authority

NSSA instituted legal proceedings for the recovery of withholding tax they did not withhold on the sales proceeds from the disposal of one of the Group's properties. The amount claimed by NSSA had been USD\$355 000. Post-year end, the Company reached an out of court settlement with NSSA wherein it was agreed that an amount of ZWL\$355,000 that the Company had paid to NSSA in the current financial year constituted full and final settlement of the amount that NSSA was claiming.

#### 9. COVID-19 impact and risk mitigation

The Government of Zimbabwe declared a national lockdown effected from March 2020 in response to the World Health Organisation's declaration of the COVID – 19 outbreak as a pandemic. In the financial year ended 31 March 2021, the COVID-19 pandemic caused a three weeks total shutdown of the Group's operations after some of the employees had been infected.

While the Group generally continued operating due to it being in the essential services sector, a communiqué was issued to the workforce outlining the preventative measures to be taken to combat the spread of COVID-19. The Group has also engaged all its service providers and reduced personal interface. The holding of meetings internally and externally was limited to extremely urgent cases and, in any such cases, not more than three people would meet. Otherwise, all 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. However, the impact so far on the company's business has been marginal as the company and its key customers have continued operating during the various degrees of the national lockdown imposed during the financial year under review. The supply of raw materials to the sugar refining plant was stable during the year under review except for packaging materials sourced from South Africa, whose cartage was slowed down by the lockdown in that country.

A business Continuity Plan and a Crisis Management Task Force, chaired by the Chief Executive, was established. The committee was tasked with the following:

- Assessing, monitoring, and managing the development and impact of COVID-19 in compliance with the requirements and guidelines issued by Government and local authorities.
- Contingency and response planning which considers business continuity, work force management and business specific risk mitigation.
- Internal and external communication of safety measures and response plans with employees, customers, suppliers, regulators/government bodies and other key stakeholders in the business.

The company 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 company has sufficient liquidity to weather the storm.

#### Impact on Statement of Financial Position

Line by line assessment on the current uncertainty (Covid-19 pandemic) may impact any of the amounts presented at 31 March 2021.

#### Line Description

Property, plant & equipment  
Accounts receivables  
  
Inventory  
Prepayments to suppliers  
Cash & cash equivalents  
Trade and other payables

#### Potential Impact

No impact  
Low to moderate impact. Key customers such as retail, have continued to experience panic buying of the product hence have been paying quicker as the product has been turning faster. Rental collections in the property business might be affected.  
No impact  
No impact  
No impact  
The Company has been negotiating with suppliers for credit terms so as to manage cash flows.

The company has had to bear costs of creating a safer working environment. The business solvency position has not been affected as the company has renegotiated trade terms with both suppliers and customers to consider 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 material inputs. The Board remains confident that the company will continue its upward trajectory despite the current challenges emanating from COVID-19.

#### 10. Auditor's Statement

The Group's inflation adjusted financial statements from which these abridged results have been extracted have been audited by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse audit opinion as a result of the impact of the following matters: non-compliance with International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates" and International Accounting Standard 8, "Accounting Policies, 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 report on the Group's inflation adjusted financial statements is available for inspection at the Company's registered office. The engagement partner for this audit is Mr Fungai Kuipa (PAAB Practising Certificate Number 335).