starafricacorporation limited

Power of Partnerships

Interim Abridged Financial Results

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

S/03624

Salient Features for the year	Volumes Sold -Sugar (MT)	Revenue $	EBITDA
Unaudited Sept 2017	30 238	$23.2 mil	$1.9 mil
Unaudited Sept 2016	17 740	$14.3 mil	($0.3 mil)
Percentage Change	70% ▲	63% ▲	

Interim Abridged Consolidated Statement of Profit or loss

For the half year ended 30 September 2017

	Unaudited Sept 2017 $	Unaudited Sept 2016 $
Revenue	23 161 476	14 254 449
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	**1 890 340**	**(314 397)**
Depreciation	(452 290)	(461 724)
Earnings before Interest & Tax	**1 438 050**	**(776 121)**
Net finance costs	(3 079 525)	(2 932 267)
Share of profit of an associate	379 717	458 064
Loss before taxation	**(1 261 758)**	**(3 250 324)**
Income tax expense	(82 245)	(86 184)
Loss for the period	**(1 344 003)**	**(3 336 508)**
Loss for the period attributable to:		
Non controlling interest	-	-
Equity holders of the parent	(1 344 003)	(3 336 508)
	(1 344 003)	**(3 336 508)**
Loss per share (cents)		
Basic	(0.26)	(0.64)
Diluted	(0.26)	(0.64)
Weighted average number of shares	518 469 120	518 469 120
Diluted average number of shares	518 469 120	518 469 120

Interim Abridged Consolidated Statement of other Comprehensive Income

For the half year ended 30 September 2017

	Unaudited Sept 2017 $	Unaudited Sept 2016 $
Loss for the period	(1 344 003)	(3 336 508)
Other comprehensive income (net of tax)	**50 093**	**118 543**
Exchange differences on translating foreign operations	50 093	118 543
Total comprehensive loss for the period	**(1 293 910)**	**(3 217 965)**
Total comprehensive loss for the period attributable to:		
Non controlling interest	-	-
Equity holders of the parent	(1 293 910)	(3 217 965)
	(1 293 910)	**(3 217 965)**

Interim Abridged Consolidated Statement of Financial Position

As at 30 September 2017

	Unaudited Sept 2017 $	Audited March 2017 $
ASSETS		
Non current assets	**30 498 004**	**30 717 717**
Property, plant and equipment	20 911 814	21 191 918
Investment property	7 295 000	7 295 000
Investment in associate	2 291 190	2 230 799
Current assets	**16 568 715**	**12 833 098**
Total assets	**47 066 719**	**43 550 815**
EQUITY AND LIABILITIES		
Equity	**(42 328 972)**	**(41 035 063)**
Attributable to equity holders of the parent	(48 628 221)	(47 334 312)
Equity component of compound financial instruments	4 690 578	4 690 578
Non controlling interest	1 608 671	1 608 671
Non current liabilities	**63 743 602**	**62 873 014**
Loans and borrowings	61 915 775	61 046 093
Deferred tax liability	1 827 827	1 826 921
Current liabilities	**25 652 089**	**21 712 864**
Loans and borowings	3 940 677	1 143 741
Trade and other payables	21 711 412	20 569 123
Total liabilities	**89 395 691**	**84 585 878**
Total equity and liabilities	**47 066 719**	**43 550 815**

Interim Consolidated Statement of Cash Flows

For the half year ended 30 September 2017

	Unaudited Sept 2017 $	Unaudited Sept 2016 $
Cash flows generated from operations	**336 634**	**649 995**
Taxation paid	(23 038)	(70 805)
Net finance costs paid	(41 370)	(97 430)
Net cash flows from operating activities	**277 226**	**481 760**
Net cash flow received from/(used) in investing activities	**331 953**	**(176 539)**
Net cash flows received from/(used) in financing activities	729 981	(426 000)
Net increase/(decrease) in cash and cash equivalents	**1 339 160**	**(120 779)**
Cash and cash equivalents at 1 April	659 632	(241 161)
Cash and cash equivalents at 30 September 2017	**1 993 792**	**(361 940)**

Interim Abridged Consolidated Statement of Changes in Equity

For the half year ended 30 September 2017

	Equity holders of the parent $	Equity component of compound financial instruments $	Non controlling interest $	Total $
Balance as at 31 March 2015	**(32 230 704)**	**-**	**1 608 671**	**(30 622 033)**
Total comprehensive income	(9 532 474)	-	-	(9 532 474)
Loss for the year	(10 233 010)	-	-	(10 233 010)
Other comprehensive income	700 536	-	-	700 536
Balance as at 31 March 2016	**(41 763 178)**	**-**	**1 608 671**	**(40 154 507)**
Total comprehensive income	(5 571 134)	4 690 578	-	(880 556)
Loss for the year	(5 859 858)	-	-	(5 859 858)
Other comprehensive income	288 724	-	-	288 724
Equity Component of compound Financial Instruments	-	4 690 578	-	4 690 578
Balance as at 31 March 2017	**(47 334 312)**	**4 690 578**	**1 608 671**	**(41 035 063)**
Total comprehensive income	(1 293 910)	-	-	(1 293 910)
Loss for the half year	(1 344 003)	-	-	(1 344 003)
Other comprehensive income	50 093	-	-	50 093
Balance as at 30 September 2017	**(48 628 222)**	**4 690 578**	**1 608 671**	**(42 328 973)**

Supplementary Information

For the half year ended 30 September 2017

	30 Sept 2017	31 March 2017
Number of shares in issue (shares)	518 469 120	518 469 120
Capital expenditure ($)	37 467	176 539*
Total refined sugar sales (MT)	30 238	17 740*
Inventory (current assets)	5 756 457	6 026 445
Trade and other receivables (current assets)	8 691 126	6 001 682
Trade and other payables (current liabilities)	21 711 412	20 569 123
Property pledged as security	4 745 000	4 745 000
Plant and equipment pledged as security	10 520 000	10 520 000
Interest bearing borrowings	65 856 452	62 189 834
Short term loans	3 940 677	1 143 741
Long term loans	61 915 775	61 046 093
Average cost of interest bearing borrowings	9%	11%

* The comparative is for six months ended 30 September 2016

Notes to the Abridged Financial Statements

For the half year ended 30 September 2017

1. Basis of preparation

The consolidated financial statements of starafricacorporation limited have been prepared in accordance with International Financial Reporting Standards(IFRS), the requirements of the Companies Act (Chapter 24.03) and the requirements of the Zimbabwe Stock Exchange. The Group's presentation currency is the United States Dollar, which is the functional currency of the Group's operations in Zimbabwe. Accounting policies applied in all material respects, are consistent with those applied by the Group for the year ended 31 March 2017.

2. Going concern

The Group's sugar sales in terms of volumes increased by 70% from 17 740 tonnes in prior year comparative period to 30 238 tonnes in the half year under review. The increase in volumes also resulted in turnover increasing by 63% from $ 14.3 million in the same period last year to $ 23.2 million in the period under review. The half year under review saw the Group improving on the positive Earnings Before Interest Tax, Depreciation and Amortisation (EBITDA) status which only began in prior year. The EBITDA for the period was a positive $ 1.9 million which is a significant improvement from the negative $0.3 million achieved in the same period last year. It is also worth noting that the current half year's EBITDA is higher than the $ 1.6 million which was achieved for the full year and for the first time in the last financial year.

The significant improvement in EBITDA is however still insufficient to fully cover the finance costs arising almost entirely from legacy debts. Consequent thereof the company ended with a Loss before tax of $ 1.3 million which is 60% lower than a loss of $ 3.3 million incurred in prior year comparative period. The interest for the period was $ 3.1 million which is slightly higher than $ 3 million for same period last year. The Group is still working on the resolution of the negative equity position resulting from prior period losses and the state of the balance sheet .As at 30 September 2017 the company's total liabilities exceeded total assets by $ 42.3 million (Mar 2017: $ 41 million) and current liabilities exceed current assets by $ 9.1 million (Mar 2017: $ 8.9 million). The increase in the net liability position is largely due to the effect of the finance costs which could not be entirely covered by EBITDA. These conditions give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

To address the negative financial position, management are implementing the key deliverables of the turnaround plan; the significant ones are listed below:

Secondary Scheme

The Company continues to implement the Secondary Scheme deliverables and some creditors have already submitted their requests for conversion of their debts to equity as envisaged in the Scheme. There are further engagements with more creditors on the conversion given that the company's earnings ability will be enhanced and the Balance Sheet further restructured and strengthened to set up an even better future for both the Company and the stakeholders.

GSSH Primary Plant Upgrade, Integration and other enhancements

Post the completion and integration of the primary plant in February 2017 the Company has made significant strides in completing other projects meant to improve both production and post production processes.

The water treatment plant was installed in August 2017 and went on a successful test run to the end of October 2017. Its commissioning has not only improved the water quality to the plant but has also opened the opportunity for the company to venture into spin off products such as bottled water.

The company went through two separate and successful audits in June and July 2017 which resulted in recertification by The Coca Cola Company ("TCCC") as well as Food Safety Certification under FSSC 22000 in August 2017. The certifications enable the company to supply any TCCC affiliated entity in the Southern African region which augurs well with the exports thrust .

Markets and Products Development

The Company is now on a double pronged approach which is to go into export markets for the existing product range while also moving into other products whose production can be leveraged on existing capacity or enhanced capacity.

The fortification of table sugar with Vitamin A began in September 2017 in line with the company's desire to deliver more benefits to its customers.

The company has completed the registration processes for export of its products into SADC and COMESA and should be able to resume exports in the fourth quarter of the financial year. Preparatory work is at an advanced stage with various potential customers expressing satisfaction with the quality of the product samples availed to them.

Bottling of honey has begun at Country Choice Foods and more products are lined up within the next 6 to 12 months to enhance the products portfolio. The existing portfolio will also be refreshed to revive the life cycles of some products which were almost stagnating.

The capital and operating expenditure thrust is on enhancing the distribution of the products and the result has been improved product foot print the country in the half year under review .

Based on the performance of the half year and strong export prospects for the second half of the year, management still believe that current year target of 80 000 tonnes can be achieved and the forecast growth over the next five years should see the annual sales volumes reach 137 000 tonnes by financial year 2022.

The financial statements are prepared on the basis that the group will continue to be a going concern. This basis of preparation is on the assumption that the forecast production and sales will be achieved, the company will return to profitability and will therefore realise its assets and discharge its liabilities in the ordinary course of business.

Chairman's Statement

For the half year ended 30 September 2017

OVERVIEW

It is with pleasure that I present the results for the half year ended 30 September 2017. The results demonstrate the company's steady and increasing profitability at operational level, a trend which only commenced in the last financial year ended 31 March 2017. The period under review was characterised by worsening of the country's foreign exchange liquidity position and cash shortages. There was an accelerated shift towards the use of electronic transacting platforms following the introduction of measures by the Reserve Bank to address the cash shortages.

GROUP RESULTS

In the six months ended 30 September 2017, the Company achieved a 63% increase in turnover which totalled $ 23.2 million compared with $ 14.3 million recorded in prior year. The Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) amounted to $ 1.9 million, which is not only better than a negative of $ 0.3 million in prior year but is even higher than the full year EBITDA of $ 1.6 million achieved last year. The strong performance is on the back of continued optimisation of post upgrade efficiencies, improvements in quality and quantity, cost containment strategies and positive effects of working capital accessed as part of the Secondary Scheme.

The improving operational profitability is however dampened by finance costs which almost entirely relate to the legacy debt. The interest for the half year totalled $ 3.1 million and was thus greater than the EBITDA thereby sliding the company into a Loss before tax of $ 1.3 million against a comparative Loss before tax of $ 3.3 million for the same period last year. The EBITDA was affected by the squeeze on margins from decreasing selling prices which resulted in the earnings not being sufficient to fully cover the finance charges. Efforts to mitigate this situation are more fully described under the Scheme of Arrangement commentary.

OPERATIONS

Goldstar Sugars Harare (GSSH)

GSSH produced 31 023 tonnes of refined sugar compared to 17 756 tonnes produced in prior year and sold 30 238 tonnes against 17 740 tonnes sold in the comparative period. The increases in production and sales volumes against prior year were 75% and 70% respectively. The increase in production is attributed to improvements post primary plant upgrade which have impacted positively on key efficiencies namely coal usage and process loss. Production has also been buttressed by interventions on water supply and a general improvement in the supply of key inputs into the process. The sales were achieved through concerted marketing and distribution efforts which have resulted in better product footprint country wide.

Country Choice Foods (CCF)

CCF achieved an EBITDA of $ 314 000 for the half year under review, which is 21% better than the $ 261 000 recorded in prior year. The unit continues to hold its fort in a product category that has fierce competition from both lower priced imports and local substitutes. CCF also experienced growth in other income mainly from weighbridge services.

Tongaat Hulett Botswana

The associate company in Botswana performed well and achieved a profit of $ 1.14 million from which the company's share was $ 0.4 million.

Properties Business

This business recorded a turnover of $ 272 000 against $ 270 000 achieved in last year's comparative period. It achieved an EBITDA of $ 105 000 which is lower than $ 174 000 achieved in prior year. The drop in EBITDA is due to operational and repair costs related to change of tenants and valuation costs incurred in the period under review. The unit also experienced serious pressure for either reduction or stagnation of rentals thus had to rely more on improved occupancy rather than better yields on the properties.

GSSH PRIMARY PLANT UPGRADE

The plant, post the completion of the upgrade in February 2017, went through a successful six month test run to August 2017 after which an Acceptance Certificate was issued by the Indian consultants who subsequently went back to India.

Water supply to the plant has been secured through 7 boreholes and the procurement of a reverse osmosis (RO) water purification plant. The RO plant was installed in August 2017 and went through a successful test run to the end of October 2017.

The company went through two separate and successful audits in June and July 2017 which resulted in recertification by The Coca Cola Company ("TCCC") as well as Food Safety Certification under FSSC 22000 in August 2017. The certifications mean that the company can sell product to TCCC related plants in the Southern Africa Region and other customers who recognise the TCCC and FSSC certifications.

FORTIFICATION

A Vitamin A fortification plant was installed and commissioned at GSSH in August 2017. Consequent thereof, all direct consumption Goldstar white sugar is now fortified with Vitamin A.

SCHEME OF ARRANGEMENT

The company is still under the Secondary Scheme of Arrangement that it entered into with creditors and the support therefrom has assisted the company to achieve the positive financial results under review. We are grateful for the support received from the creditors. The company is in discussion with creditors with a view to having them convert amounts owed to equity and some have already submitted their requests for conversion. Conversion enhances the prospects of a full and quicker recovery of the company.

DIRECTORATE

Mr T N Chiganze resigned from the board on the 29th of September 2017 after serving since 2010. I would like to thank Mr Chiganze for his invaluable service to the company especially during the time when the company was going through a difficult transformation phase .

DIVIDEND

In light of the overall performance of the company, the Board has deemed it fit not to declare a dividend for the half year ended 30 September 2017.

OUTLOOK

Given that the company has established capacity beyond local demand and quality that meets international standards, the focus is now on creating an export platform into the region and beyond. To that extent, the company has already completed requisite export registrations with COMESA and SADC and is on a marketing drive with a view of achieving firm sales before the end of the financial year.

The company has also started widening the product range from existing equipment and manpower capacities at CCF. The plan is to roll out more products with a wider appeal within the next six months.

The outlook is therefore one driven by a focus on expanding the market coverage for our products beyond our borders while broadening the product offering.

CONCLUSION

I thank my fellow Board members for their continued contribution to the revival of the company and the various stakeholders for their support. The Board is appreciative of Management and staff for their commitment and dedication which has contributed to the current turnaround of the company's fortunes.

J.S Mutizwa
Chairman
27 November 2017