



ARISTON
HOLDINGS LIMITED

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

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020



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INFLATION ADJUSTED FINANCIAL HIGHLIGHTS

All figures in ZWL	INFLATION ADJUSTED	
	Year Ended 30-Sep-20	Year-on-Year Change
REVENUE	619,542,257	-20%
EBITDA (excluding fair value adjustments)	126,088,743	-66%
PROFIT AFTER TAXATION	143,200,219	-66%
BASIC PROFIT PER SHARE (dollars)	0.0880	-66%

CHAIRMAN'S STATEMENT

INTRODUCTION

The operating environment continued to be unstable in the year under review as characterised by significant local currency depreciation coupled with continued shortages of foreign currency and further decline in disposable income.

The rains for the 2020 agricultural year were below normal and were coupled by significantly high temperatures which adversely affecting production. Whilst the Group relies extensively on its installed irrigation capacity, utilisation was adversely affected by incessant power outages experienced in the period to March 2020.

During the period under review, COVID-19 was declared a global pandemic. Further, effective 30 March 2020, the Government of Zimbabwe proclaimed a lockdown in an effort to contain the spread of COVID-19 in the country. The agricultural sector was determined as an "essential service" and thus the Company was able to continue production on all its Estates. In order to ensure the safety of our employees and other stakeholders, various measures were implemented in line with the World Health Organisation guidelines. The pandemic resulted in a slow down in tea sales when most global economies shutdown, however this situation was for a short period and the situation reversed.

During the financial year, two new tea drying equipment were installed at Southdown and Roscommon in an effort to improve tea quality as well as manufacturing efficiencies. The macadamia drying facility's capacity

was increased and further improved. Fencing of macadamia orchards commenced but is yet to be completed. All these projects were undertaken with internally generated funds.

FINANCIAL PERFORMANCE (on inflation adjusted terms)

In October 2019, Zimbabwe adopted inflation adjusted financial statements in terms of IAS 29, Financial Reporting in Hyperinflationary Economies. Accordingly, the commentary on the performance of the business is based on the inflation adjusted accounts.

The Group's inflation adjusted revenue for the year reflects a 20% decrease to ZWL 619.54 million from ZWL 773.44 million realised during the comparative period. Revenue trailed inflation growth as the majority of the Group's revenue is from United States denominated exports which are converted to Zimbabwe dollars using the interbank rate which did not increase in line with inflation. Cost of production declined by 7% when compared with the prior comparative period as a result of sourcing and paying for the majority of the products in United States dollars as part of cost containment measure. Operating costs however increased by 49% from ZWL 143 million to ZWL 214 million due to local suppliers using an implied exchange rate greater than the interbank rate, thus driving costs upwards. The Group's current year operating profit before fair value adjustments, exchange gains and losses and monetary loss declined by 64% from ZWL 369 million to ZWL 132 million when compared with the prior comparative period, primarily due to the mismatch in exchange rates used to convert the export revenue streams and the underlying exchange rates carried in local costs.

Borrowings were kept at a minimum in the period under review. However, the Group maintained its offshore long term loan which is the one generating the unrealised exchange losses. The Group continued to invest heavily in capital expenditure which were primarily funded from own internally generated funds. The current year investment of ZWL 30 million, was 40% greater than the ZWL 57 million invested in the prior comparative period. Significant investment was put into increasing the capacity of the macadamia drying facility, improving the dams and irrigation systems affected by cyclone Idai in 2019. Further, the tea factories were refurbished, with new equipment being installed at two of the three tea factories owned by the Group.

VOLUMES AND OPERATIONS

Tea
Production volume declined by 14% from 2,985 tonnes in prior year to 2,582 tonnes in the current year. Average selling price for export tea declined by 10% in the period under review. The current period was a record year globally for tea production. However, due to the economic slowdown induced by the covid-19 pandemic, demand was subdued for the greater portion of the year, resulting in selling prices coming under tremendous pressure. This resulted in selling prices of tea declining as producers pushed to sell their positions before the new season. The Group closed the year with substantial tea stocks. Subsequent to year end, demand for export tea improved resulting in the Group's stockholdings being depleted although pricing only improved marginally. Current year average selling prices for local teas declined in real terms compared to the prior comparative period.

Macadamia

Production volume declined by 18% from prior year's volume of 1,301 tonnes to the current year volume of 1,063 tonnes. The volume decline was lower than the average suffered by growers in Southern Africa. Average selling price for export macadamia improved by 4% when compared to prior year average selling price.

Fruit

The fruit category comprises of stone fruit, pome fruit, banana and avocado. Pome fruit production improved by 5% whilst stone fruit, banana and avocado declined by 5%, 24% and 40% respectively when compared to the prior comparative period. Banana volumes declined as old orchards were uprooted, in readiness for planting new orchards. Avocado yields declined as they are biennial bearing plants, and 2020 was their low yield year. Current year revenue for the fruit category improved by 35% when compared to prior year and this was largely attributable to inflation.

Other

The crops described above contribute 88% (83% in prior comparative period) to the Group's total revenue. Other crops, which include commercial maize, seed maize, seed sugar beans, soya beans, potatoes and poultry, representing 12% (17% in prior comparative period) also contributed positively to the Group's overall performance.

OUTLOOK

Normal to above normal rainfall is predicted for the 2021 agricultural season.

The start of the 2021 season in Chipinge and Chimanimani where the majority of our agricultural assets are located, has commenced on a good note. Cooler and wetter weather has been experienced. The extremely high temperatures experienced in 2020 and 2019 were not encountered. It is on this basis, that we believe 2021 season will bring improved yields across the group.

The Group's operations were largely unaffected by the COVID 19 pandemic. The Group does not anticipate any significant impact on its operations or export markets. Subsequent to year end tea production and sales have remained firm with improvements being noted in selling prices. Markets for macadamia are expected to also remain firm as 2020 season ended with global demand ahead of supply. Volumes into the export markets are expected to exceed prior year given improved yields.

DIVIDEND

In view of the need to enhance the productive assets and the need to preserve available cash resources, the Board has seen it prudent not to declare a dividend.

DIRECTORATE

Dr. Anxious Jongwe Masuka retired from the Board of Directors with effect from 15 August 2020, as he was appointed the incoming Minister of Lands, Agriculture, Water and Rural Resettlement. The Board extends its gratitude to the Honorable Minister for his immense contribution to the Group.

There were no other changes to the Directorate during the financial year under review.

APPRECIATION

I wish to extend my appreciation to all our customers, suppliers, staff, shareholders and strategic partners and my fellow Board members for their unwavering support for the business, especially given the challenging business operating environment.

BY ORDER OF THE BOARD

ALEXANDER CRISPEN JONGWE
CHAIRMAN

18 December 2020

CONDENSED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All figures in ZWL	Note	Inflation Adjusted		Historical	
		Year Ended 30-Sep-20	Year Ended 30-Sep-19	Year Ended 30-Sep-20	Year Ended 30-Sep-19
Revenue	8	619,542,257	773,442,910	339,581,572	48,126,876
Cost of production		(280,077,797)	(301,634,826)	(141,712,154)	(18,223,369)
Gross profit		339,464,460	471,808,084	197,869,418	29,903,507
Other operating income		6,379,915	40,981,499	3,722,015	1,488,658
Operating expenses		(213,993,260)	(143,648,634)	(133,753,967)	(5,918,699)
Profit from operations		131,851,115	369,140,949	67,837,466	25,473,466
Fair value adjustments		(144,315,581)	344,486,738	314,229,100	64,202,507
Exchange differences		(187,056,292)	(306,519,206)	(204,815,109)	(40,363,251)
Monetary gain		262,619,448	309,233,862	-	-
Share of net profit of a joint venture accounted for using the equity method		10,736,806	12,569,100	4,816,077	671,453
Profit before interest and taxation		73,835,496	728,911,443	182,067,534	49,984,175
Finance costs		(22,565,319)	(36,693,226)	(14,293,212)	(3,334,979)
Profit before taxation		51,270,177	692,218,217	167,774,322	46,649,196
Income tax expense		(91,930,042)	(274,557,425)	(31,923,734)	(22,128,320)
Profit for the year		143,200,219	417,660,792	135,850,588	24,520,876
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive (loss)/ income for the year		143,200,219	417,660,792	135,850,588	24,520,876
Number of shares in issue		1,627,395,595	1,627,395,595	1,627,395,595	1,627,395,595
Weighted average number of shares in issue		1,627,395,595	1,627,395,595	1,627,395,595	1,627,395,595
Earnings per share (dollars)					
Basic earnings per share		0.0880	0.2566	0.0835	0.0151
Diluted earnings per share		0.0880	0.2566	0.0835	0.0151

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

All figures in ZWL	Note	Inflation Adjusted		Historical	
		As at 30-Sep-20	As at 30-Sep-19	As at 30-Sep-20	As at 30-Sep-19
ASSETS					
Non-current assets					
Property, plant and equipment		1,178,090,588	1,174,155,081	675,177,011	38,457,898
Biological assets		15,136,704	21,585,089	15,136,705	2,842,381
Right of Use Assets		22,098,300	-	1,007,462	-
Investment in joint ventures		25,632,440	14,895,634	5,555,160	739,083
		1,240,958,032	1,210,635,804	89,217,028	42,039,362
Current assets					
Biological assets		368,631,898	506,499,095	368,631,898	66,697,122
Inventories		146,079,529	79,028,587	55,449,778	6,084,110
Trade and other receivables		184,044,843	214,989,099	177,244,543	25,750,563
Cash and cash equivalents		17,912,232	34,919,233	17,912,232	4,598,256
		716,668,502	835,436,014	619,238,451	103,130,051
TOTAL ASSETS		1,957,626,534	2,046,071,818	708,455,479	145,169,413
EQUITY					
Share capital and reserves					
Share capital		55,983,844	55,983,844	1,627,395	1,627,395
Share premium		375,736,634	375,736,634	10,922,292	10,922,292
Distributable reserves		714,687,680	571,487,461	164,843,053	28,992,465
		1,146,408,158	1,003,207,939	177,392,740	41,542,152
LIABILITIES					
Non-current liabilities					
Borrowings	7	220,342,572	326,776,899	220,342,572	43,030,837
Deferred tax		332,908,005	424,838,050	576,097,671	25,684,234
Lease liabilities		197,375	4,965,037	197,375	653,809
		553,447,952	756,579,986	278,147,914	69,368,880
Current liabilities					
Trade and other payables	6	250,845,429	254,907,223	245,989,829	30,126,619
Borrowings	7	6,544,509	28,703,189	6,544,509	3,779,711
Lease liabilities		380,486	2,673,481	380,487	352,051
		257,770,424	286,283,893	252,914,825	34,258,381
TOTAL EQUITY AND LIABILITIES		1,957,626,534	2,046,071,818	708,455,479	145,169,413

CONDENSED GROUP STATEMENT OF CASHFLOWS

All figures in ZWL	Inflation Adjusted		Historical	
	Year Ended 30-Sep-20	Year Ended 30-Sep-19	Year Ended 30-Sep-20	Year Ended 30-Sep-19
Cash flows from operating activities				
Profit before interest and taxation	73,835,496	728,911,443	182,067,534	49,984,175
Monetary adjustment	(262,619,448)	(309,233,862)	-	-
Change in working capital	(185,783,952)	419,677,561	182,067,534	49,984,175
Non-cash items	(40,168,481)	(66,128,412)	15,003,562	(2,493,381)
Cash inflow/(outflow) from operations	450,605,712	(29,109,400)	(315,620,659)	(28,308,311)
Finance costs paid	(221,653,279)	324,441,768	(118,549,563)	19,182,483
	(22,565,319)	(28,488,073)	(14,293,212)	(2,690,370)
Cash generated from/(utilised in) operating activities	199,087,960	295,953,696	(132,842,775)	16,492,113
Cash flows from investing activities				
Cash utilised in investing activities	(80,441,299)	(105,366,269)	(33,491,783)	(7,524,033)
Cash utilised in investing activities	(80,441,299)	(105,366,269)	(33,491,783)	(7,524,033)
Cash flows from financing activities				
Cash (utilised in) /generated from financing activities	(135,653,662)	(158,883,371)	179,648,534	(4,463,286)
Cash (utilised in) /generated from financing activities	(135,653,662)	(158,883,371)	179,648,534	(4,463,286)
Net (decrease)/ increase in cash and cash equivalents	(17,007,001)	31,704,056	13,313,976	4,504,794
Cash and cash equivalents at beginning of the year	34,919,233	3,215,177	4,598,256	93,462
Cash and cash equivalents at end of the year	17,912,232	34,919,233	17,912,232	4,598,256

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

All figures in ZWL	Share capital		Share premium	Distributable reserves	Total
	Share capital	Share premium			
Balance as at 30 September 2018	55,983,844	375,736,634	154,637,292	586,357,770	
Total comprehensive income for the year	-	-	417,660,792	417,660,792	
Impact of IFRS 9 Adoption	-	-	(810,623)	(810,623)	
Balance as at 30 September 2019	55,983,844	375,736,634	571,487,461	1,003,207,939	
Total comprehensive income for the year	-	-	143,200,219	143,200,219	
Balance as at 30 September 2020	55,983,844	375,736,634	714,687,680	1,146,408,158	

HISTORICAL

All figures in ZWL	Share capital		Share premium	Distributable reserves	Total
	Share capital	Share premium			
Balance as at 30 September 2018	1,627,395	10,922,292	4,495,153	17,044,840	
Total comprehensive income for the year	-	-	24,520,876	24,520,876	
Impact of IFRS 9 Adoption	-	-	(23,564)	(23,564)	
Balance as at 30 September 2019	1,627,395	10,922,292	28,992,465	41,542,152	
Total comprehensive income for the year	-	-	135,850,588	135,850,588	
Balance as at 30 September 2020	1,627,395	10,922,292	164,843,053	177,392,740	

CONDENSED NOTES AND SUPPLEMENTARY INFORMATION

All figures in ZWL	Inflation Adjusted		Historical	
	Year Ended 30-Sep-20	Year Ended 30-Sep-19	Year Ended 30-Sep-20	Year Ended 30-Sep-19
1. Depreciation and amortisation				
Depreciation of property, plant and equipment excluding bearer plants	42,135,668	36,521,343	2,449,296	1,207,364
Depreciation of bearer plants	12,196,814	22,595,351	650,432	650,432
Depreciation of right of use assets	5,762,871	-	297,224	-
	60,094,853	59,116,694	3,396,952	1,857,796
2. Impairment				
Impairment loss recognised	-	7,570,847	-	220,077
	-	7,570,847	-	220,077
3. Income tax expense				
Current tax				