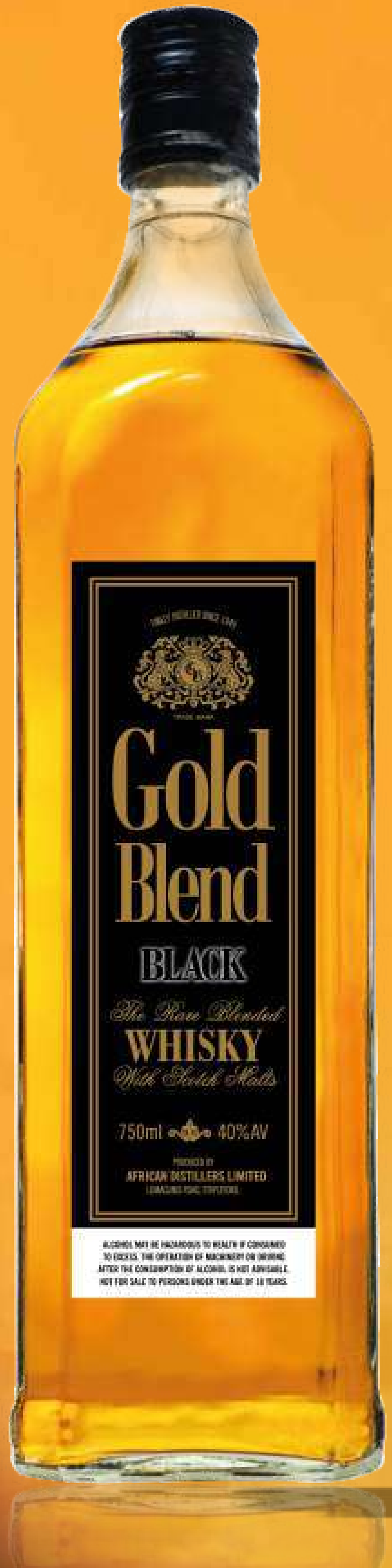
AFRICAN DISTILLERS LIMITED

Annual Report 2018



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COMPANY PROFILE

30 June 2018

The core business of African Distillers Limited is the manufacture, distribution and marketing of branded wines, ciders and spirits for the Zimbabwean market and for export.

HISTORICAL PROFILE

In April 1944, P J Joubert Limited was registered in Bulawayo. In 1946, this Company changed its name to African Distillers (Rhodesia) Limited. Initially, its activities were centred around the sale and distribution of imported spirits, liqueurs and wines. During the same year, a distillery was acquired in Mutare and the local production of a range of spirits commenced. In 1951 African Distillers became a public quoted Company. In 1974, the Company moved to its present headquarters at Stapleford, a complex just outside Harare which houses production, warehousing and distribution facilities.

The Company has six depots in Bulawayo, Harare, Kwekwe, Masvingo, Mutare and Victoria Falls which ensure a first-class distribution service. These outlets are supplemented by Customer Collection Depots countrywide.

OUR VISION

To be the most dynamic and preferred manufacturer and marketer of quality branded beverages for every occasion in Zimbabwe.

OUR MISSION

To sustainably grow the profitability and value of our business by providing branded quality beverages for our consumers.

CORE VALUES

Our people are our greatest strength.

- Our people are crucial to the achievement of our business goals.
- We provide a great place to work where each and every one of our people is inspired to be the best they can be.
- We believe that our organisation is stronger for having people of diverse backgrounds, traits and paradigms.
- We interact with each other and with all our stakeholders with trust, mutual respect and integrity.
- We value human life above all else and manage risks accordingly.

We believe in the power of working in teams.

- Our success is team-driven.
- We believe in sharing knowledge and knowhow throughout our organisation.
- We work in teams that demonstrate discipline, commitment and dedication.
- We encourage everyone to participate and collaborate with each other.
- We act with a sense of ownership and strive for excellence.

We hold ourselves accountable for the commitments we make as individuals and as teams.

- We ensure that all employees' roles are clearly defined and that all deliverables are accounted for.
- We ensure that our mission, goals and objectives are aligned and clearly articulated.
- We value performance management as the way to effectively drive individual and business performance.
- We balance short and long term results.
- We conduct ourselves with passion and seriousness of purpose in our pursuit of our goals.

We value openness and frankness in all our communications with each other.

- We encourage our people to express different views and opinions.
- We communicate with openness and frankness with each other.
- We communicate sincere feedback to each other without offensive intent.
- Honesty and integrity are characteristic of all our communications and social interactions.
- We keep our promises.

We foster an entrepreneurial spirit to enhance continuous improvement and innovation in all our work.

- We are a learning organisation that believes in life-long-learning.
- We anticipate and respond to changing customer, consumer, employee and community needs.
- We demand, recognise and reward excellence.
- We invest in our people, empower them and realise the potential of everyone through appropriate training and development.

We care for our customers, consumers and communities.

- Our success is founded on an intimate understanding of our customers, consumers and communities.
- We believe that we succeed only when we exceed the expectations of our consumers.
- We strive to refresh our consumers, reward our stakeholders and enhance the lives of our local communities.
- We have a passion for responsibly serving our customers with excellence.

We are responsible corporate citizens.

- We avoid conflicts of interest but will declare situations where they may occur.
- We endeavour to ensure the use of safe and reliable materials and services in all our processes.
- We are committed to and encourage responsible marketing and consumption of alcoholic beverages.
- We comply with the laws of the countries in which we do business.
- We are an equal opportunity employer.
- We endeavour to make a positive difference to our communities.
- We commit to respect our environment – we subscribe to the principle of sustainable development.

FINANCIAL HIGHLIGHTS

30 June 2018

SUMMARY	2018 USD	2017 USD	2016 USD	2015 USD	2014 USD
Revenue	30 589 359	24 890 506	22 040 884	25 064 987	23 952 028
Operating income	7 105 821	4 056 223	2 625 307	3 840 953	2 996 504
EBITDA	7 912 821	4 910 531	2 612 047	4 520 874	3 342 513
Profit before taxation	7 224 047	3 831 752	1 794 594	4 026 505	2 802 851
Profit attributable to shareholders	5 258 066	2 761 968	1 119 282	3 112 501	2 077 531
Headline earnings	5 252 749	2 763 375	1 223 162	2 898 035	2 137 037
Interest bearing debt	-	-	-	1 873 959	-
Net cash on hand and investments	20 275 158	7 521 994	2 542 353	504 957	448 589
Total assets	40 225 990	26 463 670	21 760 275	22 238 121	19 501 397
SHARE PERFORMANCE					
Number of ordinary shares in issue (millions)	117	116	115	115	111
Market capitalisation	168 978 927	70 477 687	51 887 711	57 522 512	33 406 507
Number of ordinary share holders	749	750	747	780	786
Middle market price (cents)	145	61	45	50	30
Attributable earnings per share (cents)	4.53	2.39	0.97	2.75	2.01
Headline earnings per share (cents)	4.53	2.39	1.06	2.56	2.07
Diluted earnings per share (cents)	4.49	2.38	0.97	2.72	1.96
Dividend per share (cents)	1.50	0.65	0.45	0.57	0.45
Net asset value per share (cents)	20.12	15.82	13.62	13.01	11.73
FINANCIAL STATISTICS					
Return on shareholders' equity (%)	23	15	7	21	16
Dividend cover (times)	2.99	3.67	2.16	4.75	4.16

Revenue

$30.6 million

EBITDA

$7.9 million

Profit before tax

$7.2 million

CHAIRMAN'S STATEMENT

30 June 2018

OVERVIEW

The Company recorded a strong performance, notwithstanding supply constraints that emanated from severe foreign currency shortages. Demand for the company's products remained buoyant especially in the latter half. The Company was however not able to fully meet demand.

Ready-To-Drink (RTD) volumes, driven by Ciders, grew ahead of all other categories, registering a 23% increase on prior year. Spirits continued to contribute the most revenue.

FINANCIAL PERFORMANCE

Revenue increased by 23% to $30.6 million and operating income rose by 75% to $7.1 million. This performance is a result of volume growth, margin expansion, favourable mix and cost containment.

The Company registered a foreign exchange gain of $0.3 million due to the weakening South African Rand. Interest expense of $0.56 million was incurred on overdue foreign payments. The impact was however, mitigated by interest income of $0.4 million realised from money market investments. Net cash and investments are at $20.3 million, a $12.8 million increase on prior year, mainly due to the delays in the settlement of foreign obligations.

FUTURE PROSPECTS

We look forward to an improved macro-economic environment post elections and a resolution of the current foreign currency shortages. Management will continue to focus on growing the business and keeping the market fully supplied.

DIVIDEND

The Board has recommended a final dividend of 1.10 cents per share, resulting in a total dividend of 1.50 cents per share for the year, amounting to $1 748 057.87.

P Gowero
Chairman

16 August 2018

REVIEW OF OPERATIONS

30 June 2018

The trading environment was characterised by constrained product supply as a result of failure by most manufacturers to access adequate foreign currency required to procure raw materials from foreign countries. These supply induced shortages were observed frequently in the market despite the rise in consumption patterns by the consumers. To meet the growing demand, the organisation relied on an extended credit facility from our foreign shareholders. The stability of prices and the increased use of plastic money spurred consumer spending which resulted in both sales volume and revenue growing by 6% and 23% on prior year respectively.

SPIRIT BUSINESS

Spirit volumes declined by 6% on prior year as a result of subdued performance in the white spirit segment and inconsistent availability of major volume drivers, Viceroy and Chateau brandy. The white spirits volume declined by 28% due to limited supply of raw materials for Smirnoff Vodka, Gilbert's and Gilbey's Gin throughout the year. During the first half, cane spirits were under price pressure from cheap illicit spirits that were being supplied to the lower end of the market which resulted in an overall decline of 23%. Brown spirits volumes grew by 1% driven by Gold Blend whisky and Heritage brandy which grew by 10% and 28% respectively. The total sprits revenue however benefited from some price adjustments and managed to achieve a growth of 5% with a 60% contribution to total revenue.

REVIEW OF OPERATIONS (continued)

30 June 2018

READY-TO-DRINK (RTD) BUSINESS

Volume for the RTD category achieved a strong growth of 23% largely driven by Ciders which grew by 30%. The category contributed 49% to total volume and 30% to total revenue. The ciders benefited from the introduction of a Hunters Edge into the Hunters range coupled with an inconsistent supply of Lager beer into the market. Deliberate efforts were made to increase ciders visibility in the modern trade to enhance consumer responses at point of purchases. General demand for the Ciders remained strong through the period and volumes could have been better were it not for some raw material constraints. Supply limitations affected the performance of Spirit Coolers which declined by 23%.

WINE BUSINESS

This category failed to grow due to portfolio rationalisation that was done to reduce the category's demand for foreign currency. We retained the 4th Street range and selected Nederburg products whose volumes grew by 20% and 25% respectively. The discontinuation of Graca, Chamdor, Cellar cask, Drostdyhof and Overmeer resulted in a total wine volume decline of 3%. However, local wine volume grew by 20% anchoring on Green Valley which achieved a 61% growth. The wine category remains the smallest in the business contributing 10% of total volumes. We will be reintroducing all the wines as soon as the foreign currency situation improves.

DIRECTORS' REPORT

30 June 2018

The Directors present their sixty eighth annual report to shareholders together with the audited financial statements for the year ended 30 June 2018.

FINANCIAL RESULTS

	30 June 2018 USD	30 June 2017 USD
Operating income	7 105 821	4 056 223
Interest (expense)/income	(147 040)	136 502
Exchange gain/(loss)	265 266	(360 973)
Profit before taxation	7 224 047	3 831 752
Taxation expense	(1 965 981)	(1 069 784)
Profit for the year	5 258 066	2 761 968
Other comprehensive income	-	-
Total comprehensive income for the year	**5 258 066**	**2 761 968**

FINANCIAL HIGHLIGHTS

Statement of Financial Position Ratios (:1)		
Current ratio	2.03	2.54
Acid test ratio	1.68	1.85
Share Performance:		
Ordinary shares in issue	116 537 191	115 537 191
Middle market price (cents)	145	61
Market capitalisation (USD)	168 978 927	70 477 687
ZSE industrial index	365.69	195.97

Dividends
A dividend of 1.10 cents per share has been proposed. This brings the total dividend for the year ended 30 June 2018 to 1.50 cents per share.

SHARE CAPITAL

Authorised
At 30 June 2018, the authorised share capital of the Company is 150 000 000 (2017:150 000 000) ordinary shares of US$0.01.

Issued and fully paid up shares
The issued share capital at 30 June 2018 is 116 537 191 ordinary shares (2017: 115 537 191 shares).

Options
In terms of an Employees' Share Option Scheme, options outstanding at 30 June 2018 were 1 676 833 (2017 - 2 676 833). There are 4 092 000 (2017 – 323 167) unallocated options at year end.

RESERVES

The movements in the reserves of the Company are shown in the Statement of Changes in Shareholders' Equity.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure for the year ended 30 June 2018 was $325 587 (2017 – $383 266), while receipts from disposal of property, plant and equipment were $31 663 (2017 - $32 704).

DIRECTORS' REPORT (continued)

30 June 2018

Borrowing Powers
The details of the Company's borrowing powers appear in Note 22 to the financial statements.

Directors and their interests
In terms of Article 99 of the Company's Articles of Association, Messrs P. Gowero, M. M. Valela and Mrs M. Ndachena retire from the Board by rotation but, being eligible, offer themselves for re-election.

At 30 June 2018, the Directors held, directly and indirectly, 675 205 (2017: 1 048 998) shares being 0.58% (2017: 0.91%) of the issued share capital of the Company. This holding is detailed in Note 16.4 of the financial statements. No change in the interest of Directors has taken place between the financial year-end and the date of this report.

Board Committee Meetings Attendance
Details of attendance by the Directors at Board and Committee meetings during the financial year ended 30 June 2018 are set out below:

	Main Board		Audit Committee		Remuneration Committee	
Name of Director	**Attended**	**Possible**	**Attended**	**Possible**	**Attended**	**Possible**
P. Gowero	4	4	-	-	3	3
M. J. Hollingworth	3	4	-	-	-	-
C. Gombera	4	4	2	2	3	3
S. W. Klopper	4	4	-	-	-	-
R. H. Maunsell	3	4	2	2	-	-
M. Ndachena	4	4	2	2	-	-
S. V. Rushwaya	4	4	2	2	3	3
G. J. Schooling	4	4	2	2	3	3
M. Valela	3	4	1	2	2	3

DIRECTORS' EMOLUMENTS

Members will be asked to confirm the Directors' fees of $85 904 (2017 - $83 035) for the year ended 30 June 2018, and to approve the recommendations of the remuneration committee for the fees for the year ended 30 June 2019.

AUDITORS

Members will be asked to re-appoint Messrs Deloitte & Touche as auditors of the Company for the ensuing year and to fix their remuneration, excluding value added tax, of $68 000 (2017 - $68 000) for the financial year ended 30 June 2018.

ANNUAL GENERAL MEETING

The sixty eighth Annual General Meeting of the Company will be held at 11am on Friday 9 November 2018, at the registered office of the Company.

By Order of the Board

P. Gowero
Chairman

C. Gombera
Managing Director

16 August 2018
Harare

CORPORATE GOVERNANCE

30 June 2018

African Distillers Limited follows the principles and general guidelines set out by the King Reports on Corporate Governance. The Company also complies with the Zimbabwe Stock Exchange requirements and other regulatory authorities.

AFDIS CODE

African Distillers Limited personnel are committed to a long-published code of ethics. This incorporates the Company's operating, financial and behavioural policies in a set of integrated values, which include the ethical standards required of members of the Afdis family in their interface with one another and with all stakeholders.

There are detailed policies and procedures in place covering the regulation and reporting of transactions in securities of the Company by directors and officers.

DIRECTORATE

The Board of Directors comprises seven non-executive directors and two executive directors who meet at least quarterly. These directors are subject to retirement by rotation and re-election by Shareholders at least once every three years in accordance with the Company's Articles of Association. Appointments of new directors, approved by the Board are subject to ratification by shareholders. The Board is chaired by a non-executive director.

DIRECTORS' INTERESTS

As provided by the Companies Act (Chapter 24:03) and the Company's Articles of Association, the Directors are bound to declare during the year, in writing, whether they have material interests in any contracts of significance with the Company which could give rise to conflict of interest. No such conflicts were reported this year.

AUDIT COMMITTEE

R H M Maunsell – Chairman
The Audit Committee comprises four non-executive directors and the Managing Director. A non-executive director chairs the committee which meets twice a year. External auditors review accounting, auditing, financial reporting, internal control and risk management issues. The external auditors are appointed each year based on recommendations of the Audit Committee. An internal audit function is also in place.

REMUNERATION COMMITTEE

M Valela - Chairman
The Remuneration Committee is chaired by a non-executive director. The Committee is responsible for reviewing the organisational structure in line with the strategy and make recommendations to the Board. It also recommends the remuneration of executive directors and senior executives.

RISK MANAGEMENT

The risk management process at African Distillers Limited involves the identification, assessment and prioritisation of risk that may impact the achievement of strategic business objectives. The environment in which the Company operates is subject to change and regular assessment of risk is necessary.

The Board, through the Audit Committee is ultimately responsible for maintaining risk management strategies for the Company and monitoring performance through regular assessment. The Board Audit Committee meets twice a year to consider issues relating to financial and accounting controls as well as risk management.

DIRECTORS' RESPONSIBILITY STATEMENT

30 June 2018

To the Members of African Distillers Limited:

The Directors of the Company are responsible for the preparation and integrity of the annual financial statements and the related financial information included in this report. The Company's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 13 to 15. The external auditors are responsible for independently auditing and reporting on these financial statements in conformity with international standards.

The Company's Directors are required by the Zimbabwe Companies Act (Chapter 24:03) to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit and cash flows for the period. In preparing the accompanying financial statements, International Financial Reporting Standards (IFRS) have been followed, suitable accounting policies have been used, and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements incorporate full and responsible disclosure in line with the Company accounting philosophy.

The Directors have reviewed the Company's budget and cash flow forecast for the year to 30 June 2019. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that, notwithstanding the uncertainty in the economy, African Distillers Limited is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The Company's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins the Company's internal financial control process.

The Board and management are responsible for the Company's systems of internal control and, in order to comply with these responsibilities, management is required to maintain accurate accounting records and to ensure that adequate systems of internal control are in place. The control systems include accounting and control policies and procedures, defined lines of accountability and delegation of authority and comprehensive financial reporting and analysis. These systems are designed to provide reasonable but not absolute assurance, as to the integrity and reliability of the financial information and also to safeguard, verify and maintain accountability of its assets. They are also designed to minimise fraud and loss. The responsibility for operating the systems is delegated to the Executive Directors who confirm they have reviewed their effectiveness.

The Directors have satisfied themselves that these systems and procedures have been implemented, maintained and monitored by appropriately trained personnel with suitable segregation of authority, duties and reporting lines. The senior executives have signed a representation letter on this compliance. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal controls, procedures and systems has occurred during the period under review.

The Company's external auditors have reviewed and tested appropriate aspects of internal financial control systems during the course of their statutory examinations of the Company.

The Company's Audit Committee has met the external auditors to discuss their reports on the results of their work, which include key control areas and no breakdowns involving material loss have been reported to the Directors in respect of the year under review.

These annual financial statements for the year ended 30 June 2018 which appear on pages 16 to 39 have been approved by the Board of Directors on 16 August 2018 and signed on their behalf by:

P. Gowero
Chairman

C. Gombera
Managing Director

16 August 2018
Harare

FINANCIAL INFORMATION

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AFRICAN DISTILLERS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of African Distillers Limited ("the Company") set out on pages 16 to 39, which comprise the statement of financial position as at 30 June 2018 and the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Public Accountants and Auditors Board (PAAB) Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Occurrence of revenue recorded in the financial statements **Refer to policy note 3.9 of the financial statements for the Company's policy on recognition of revenue.**	
The Company generates revenue from the sale of branded spirits, ciders and wines. As disclosed in note 5, the Company reported revenues of $30.6 million (2017: $24.9 million). Revenue is recorded when goods are delivered to customers and is stated net of excise duties, royalties and discounts arising from the sale of the products. The performance of the Company is largely driven by revenue growth. The consistent application of revenue recognition policies in accordance with International Accounting Standard 18-Revenue, is paramount to the accurate reporting of revenue. Due to the significance of the revenue amount to the financial statements, the recognition of revenue was considered to be a key audit matter.	Our audit procedures to assess the recognition of revenue included the following: • Evaluating the design and testing the implementation of controls in the revenue business process from invoicing of customers, route settlements and recording of revenue. • Testing the operating effectiveness of the identified controls. • Assessing management's policies for compliance with International Accounting Standard 18- Revenue. • Comparing the date on signed customer invoices to that of recording in the ledger and ensuring that delivery took place and the related revenue was recorded in the appropriate period. • Performing analytical reviews on sales which included gross profit margin analysis and monthly sales volume mix analysis in order to assess the trends, as compared to prior years. • Engaging internal Data Analytics specialists in the independent re-computation of revenue, using computer assisted audit techniques, from an analysis of inventory movements during the year. We found the Company to have appropriately recognised revenue in accordance with its policies, and that the revenue recorded was valid.

REPORT OF THE INDEPENDENT AUDITORS (continued)

TO THE MEMBERS OF AFRICAN DISTILLERS LIMITED

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Company Profile, Financial Highlights, Chairman's Statement, Review of Operations, Directors' Report, Corporate Governance, Directors' Responsibility Statement, Board of Directors, Directorate, Shareholders' Analysis, Notice to Shareholders and Proxies, Corporate Information and Shareholders' Calendar, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, Zimbabwe Stock Exchange listing requirements and in the manner required by the Companies Act (Chapter 24:03), and Statutory Instruments (SI 33/99 and SI 62/96), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

REPORT OF THE INDEPENDENT AUDITORS (continued)

TO THE MEMBERS OF AFRICAN DISTILLERS LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

We communicate with those charged with governance 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, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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, these financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03), the relevant statutory instruments (SI33/99 and SI62/96) and the Zimbabwe Stock Exchange listing requirements.

The engagement partner on the audit resulting in this independent auditor's report is Charity Mtwazi.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Charity Mtwazi
Partner
PAAB Practice Certificate Number 0585

Date: 23 August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 USD	2017 USD
Revenue	5	**30 589 359**	**24 890 506**
Cost of sales		(14 632 663)	(12 768 927)
Gross profit		**15 956 696**	**12 121 579**
Other income		89 810	157 494
Distribution costs		(682 138)	(624 497)
Administrative expenses		(886 283)	(803 743)
Other operating expenses		(7 372 264)	(6 794 610)
Operating income	6	**7 105 821**	**4 056 223**
Interest (expense)/income		(147 040)	136 502
Exchange gain/(loss)		265 266	(360 973)
Profit before taxation		**7 224 047**	**3 831 752**
Taxation expense	7	(1 965 981)	(1 069 784)
Profit for the year		**5 258 066**	**2 761 968**
Other comprehensive income		-	-
Total comprehensive income for the year		**5 258 066**	**2 761 968**
Weighted average number of shares in issue (millions)		**116**	**115**
Earnings per share (Cents):			
Attributable earnings	8.1	4.53	2.39
Headline earnings	8.2	4.53	2.39
Diluted earnings	8.3	4.49	2.38

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 USD	2017 USD
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	9 080 070	9 587 829
Long term loans	10	369 844	327 416
		9 449 914	**9 915 245**
Current Assets			
Inventories	11	5 320 770	4 488 566
Trade and other receivables	12	5 180 148	4 331 007
Current tax asset	13	-	206 858
Short term investments	14	17 449 662	3 268 117
Cash and cash equivalents	15	2 825 496	4 253 877
		30 776 076	**16 548 425**
Total Assets		**40 225 990**	**26 463 670**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	16	1 139 873	1 130 873
Share premium		4 542 013	4 341 990
Share option reserve		486 617	454 157
Non-distributable reserves		5 361 409	5 361 409
Accumulated profit		11 534 115	6 994 224
		23 064 027	**18 282 653**
Non-Current Liabilities			
Deferred taxation	17	1 982 893	1 664 257
Current Liabilities			
Trade and other payables	18	14 440 512	6 516 760
Current tax liability		738 558	-
Total Current Liabilities		**15 179 070**	**6 516 760**
Total Liabilities		**17 161 963**	**8 181 017**
Total Equity and Liabilities		**40 225 990**	**26 463 670**

P. Gowero
Chairman

C. Gombera
Managing Director

16 August 2018

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018 USD	2017 USD
CASH FLOW FROM OPERATING ACTIVITIES			
Operating income before finance costs and taxation	19.1	7 006 780	3 796 814
Adjustments for non-cash items	19.2	1 446 165	1 032 467
Cash generated from operations after non-cash items		8 452 945	4 829 281
Changes in working capital	19.3	6 242 407	1 719 349
Cash generated from operations		14 695 352	6 548 630
Interest (expense)/income		(147 040)	136 502
Income tax paid	19.4	(701 929)	(1 039 808)
Net Cash Inflow from Operating Activities		**13 846 383**	**5 645 324**
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment	19.5	(293 924)	(350 562)
Increase in short term investments		(14 181 545)	(3 268 117)
(Increase)/decrease in long term loans		(42 428)	152 287
Net Cash Outflow from Investing Activities		**(14 517 897)**	**(3 466 392)**
Net Cash (Outflow)/Inflow from Investing and Operating Activities		**(671 514)**	**2 178 932**
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in shareholder funding	19.6	209 023	97 151
Dividend paid to owners of the company		(965 890)	(564 559)
Net Cash Outflow from Financing Activities		**(756 867)**	**(467 408)**
Net Movement in Cash and Cash Equivalents		**(1 428 381)**	**1 711 524**
Cash and Cash Equivalents at the Beginning of Year		**4 253 877**	**2 542 353**
Cash and Cash Equivalents at the End of the Year		**2 825 496**	**4 253 877**
Comprising:-			
Bank and cash balances	15	**2 825 496**	**4 253 877**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 June 2018

	Share Capital USD	Share Premium USD	Share Option Reserve USD	Non-Distributable Reserve USD	Accumulated Profit USD	Total USD
Balance at 30 June 2016	**1 128 561**	**4 247 151**	**214 553**	**5 361 409**	**4 758 102**	**15 709 776**
Recognition of share based payment expense	-	-	278 317	-	-	278 317
Issue of shares under employees share option plan	2 312	94 839	-	-	-	97 151
Transfer from share option reserve	-	-	(38 713)	-	38 713	-
Total comprehensive income for the year	-	-	-	-	2 761 968	2 761 968
Dividend paid	-	-	-	-	(564 559)	(564 559)
Balance at 30 June 2017	**1 130 873**	**4 341 990**	**454 157**	**5 361 409**	**6 994 224**	**18 282 653**
Recognition of share based payment expense	-	-	280 175	-	-	280 175
Issue of shares under employees share option plan	10 000	351 563	-	-	-	361 563
Share buy back	(1 000)	(151 540)	-	-	-	(152 540)
Transfer from share option reserve	-	-	(247 715)	-	247 715	-
Total comprehensive income for the year	-	-	-	-	5 258 066	5 258 066
Dividend paid	-	-	-	-	(965 890)	(965 890)
Balance at 30 June 2018	**1 139 873**	**4 542 013**	**486 617**	**5 361 409**	**11 534 115**	**23 064 027**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1 GENERAL INFORMATION

1.1 Nature of business

The main business of the Company is the manufacture, importation and wholesale distribution of spirits and wines. The Company is incorporated in Zimbabwe and is a subsidiary of Afdis Holdings (Private) Limited, a company which is also incorporated in Zimbabwe.

1.2 Currency of reporting

These financial statements are presented in United States Dollars (US$) being the functional and reporting currency in Zimbabwe. The Country uses a basket of international currencies as legal tender under the multi-currency system alongside a limited range of local bond notes, coins and various forms of electronic payment platforms. There are challenges in foreign remittances giving rise to debate about the relative values of the transactional currencies and monetary assets. Refer to note 4 for key judgements in the determination of functional currency.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 New and revised IFRS with no material effect on current reporting

In the current year, the Company adopted the following new and revised IFRS and annual improvements to IFRS with no significant impact on the financial statements.

- IAS 7 - Statements of Cash Flow. IAS 7 clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.(Effective for annual periods beginning on or after 1 January 2017 with earlier adoption being permitted)
- IAS 12 - Income Taxes. IAS 12 is effective for annual periods beginning on or after 1 January 2017 with earlier adoption being permitted).

  The standard clarifies the following;

  a. Unrealised loss on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  b. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  c. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax assets of the same type.

- Annual Improvements 2014-2016 Cycle-(Effective for annual periods beginning on or after 1 January 2018):
  IFRS 12 Disclosure of interests in other entities- clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued Operations.

The directors of the Company assessed that the new and revised IFRS have no material impact on the financial statements.

2.2 New and revised IFRS in issue, but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective nor applied by the Company:

- IFRS 9 – Financial Instruments. IFRS 9 introduces new requirements for the classification and measurement of financial instruments (effective on annual periods beginning on or after 1 January 2018).
- IFRS 15 – Revenue from Contracts with Customers. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supercede the current revenue recognition guidance including IAS 18 Revenue (effective on annual periods beginning on or after 1 January 2018 with earlier application permitted).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration-addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary. (Applicable to annual reporting periods beginning on or after 1 January 2018).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

2.2 New and revised IFRS in issue, but not yet effective (continued)

- IFRIC 23 – Uncertainty over income tax treatments-the interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities' examinations
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - The effect of changes in facts and circumstances.
    (Applicable to annual reporting periods beginning on or after 1 January 2019).
- IFRS 2 – Share Based Payments - clarifies the standard in relation to the accounting for cash settled share based payment transactions that include a performance condition, the classification of share based payment transactions with net settlement features, and the accounting modifications of share based payment transactions from cash settled to equity settled. [Effective for annual periods beginning on or after 1 January 2018].
- IFRS 16 – Leases. IFRS 16 addressed issues raised by users on the need to record operating lease assets and related depreciation and interest expense. Previously, the operating lease contracts were recorded off balance sheet, with the lease payments being straight –lined over the lease period. (Effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Effective for annual periods beginning on or after 1 January 2018):
- IFRS 1 – First Time Adoption of IFRS - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 – Investments in Associates and Joint Ventures - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Management have done an initial assessment of these standards on future financial statements and have determined that these will not have a material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards, promulgated by the International Accounting Standards Boards (IASB). The financial statements have been prepared in compliance with the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI33/99) and SI62/96).

3.2 Basis of Preparation

The financial statements of the Company are prepared under the historical cost convention, except for the fair valuation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

3.3 Property, Plant and Equipment

These are stated at their cost less related accumulated depreciation and accumulated impairment losses. The estimated useful lives, residual values, and depreciation method are reassessed each year, with effect of any changes in estimate accounted for on a prospective basis.

Computer hardware is stated at cost less accumulated depreciation. Software up-grades are written off in the year of purchase.

Depreciation is not provided on freehold land, or capital work in progress. It is provided on other property, plant and equipment as is deemed appropriate, so as to reduce carrying amounts to their residual values over their estimated useful lives as stated below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, Plant and Equipment (continued)

Asset Category	Method	Estimated Useful Lives
Buildings	Straight line	40 years
Plant & Machinery	Straight line	2 – 20 years
Motor Vehicles	Straight line	3 – 40 years
Office Equipment	Straight line	3 – 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value, allowance being made for obsolescence and deterioration. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost is determined on the following basis:

Raw materials	Weighted average cost
Maturing wines, spirits and finished goods	Weighted average cost. Where applicable, an appropriate share of overhead expenses is included. Out of bond inventories also include excise and customs duties.

3.5 Share Based Payments

The Company issues share options to certain employees. The options are valued at fair value at the date of grant. The fair value determined is expensed on straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. The fair value is calculated using the Black-Scholes option pricing model, as adjusted for dividends by Robert Merton. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions as regards closed periods and behavioural considerations. The value transferred to the share options reserve is amortised to retained earnings as the related share options are exercised or forfeited.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.6.1 Current Taxation

Current income taxation charge is determined by applying the current rate of income taxation to income for the year, after taking into account allowances on capital expenditure, income that is not subject to taxation, disallowable expenditure and losses brought forward from prior years. Capital gains tax is determined on the profit arising on the sale of specified assets at the current rate of capital gains tax.

3.6.2 Deferred Taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Taxation (continued)

3.6.3 Current and Deferred Taxation for the Year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.7 Foreign Currency Transactions and Balances

These financial statements are presented in United States Dollars (USD), which is also the functional currency of the Company. Transactions in other foreign currencies are translated to USD at the rate of exchange prevailing at dates of transactions. Exchange gains or losses on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur (therefore forming part of the net investment in the foreign operation) which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Assets and liabilities in other foreign currencies are translated to USD at the official rates ruling at reporting date.

3.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.9 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods and services provided in the normal course of business, net of discounts, value added tax and excise and customs duties. Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.10 Retirement Benefit Costs

The Company operates a defined contribution plan for all eligible employees. The scheme is funded by payments from employees and by the Company, and the assets are held in various funds which are independently administered. The Company's contributions are charged to profit or loss in the year to which they relate. The Company also participates in the National Social Security Authority (NSSA) scheme. Payments made to NSSA are dealt with as payments to defined contribution plans, where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Borrowing Costs

Borrowing costs which relate to funds raised specifically for the acquisition of property, plant and equipment are capitalised until such time as the assets are substantially ready for intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying asset, is deducted from the borrowing costs eligible for capitalisation.

3.12 Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation increase.

3.13 Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

3.13.1 Financial Assets

Financial assets of the Company are classified as "loans and receivables" as they do not fall into the other financial asset categories as defined under IAS 39 "Financial Assets: Recognition and Measurement".

3.13.2 Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

3.13.3 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired if there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.13.5 Derecognition of Financial Assets

The Company derecognises financial assets only when the contractual rights to the cash flows from the assets expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial Instruments (continued)

3.13.6 Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

3.13.7 Derecognition of Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative Financial Instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, namely forward exchange contracts.

Derivatives are initially recognised at fair value at the date the derivatives contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of profit or loss depends on the nature of the hedge relationship.

3.13.8 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date.

Useful Lives and Residual Values of Property, Plant and Equipment

During the year, management assessed the residual values of property, plant and equipment. Residual values of each asset category have been assessed using the fair value of the asset after taking into account age, usage and obsolescence. These residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is diminution in value.

Management assesses useful lives of property, plant and equipment each year taking into account past experience and technology changes. The useful lives are set out in Note 3.3.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Share Based Payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at that grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed and on straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The Company computes the fair value of the scheme using the Black-Scholes option pricing model. Based on the model, with a vesting period of 3 years and extension of 7 more years, the average estimated remaining life is computed. Assumptions applied in the model are set out in Note 16.5.

Allowance for Credit Losses

The Company makes provision for debtors' balances where it considers the recoverability to be doubtful. A significant degree of judgement is applied by management when considering whether a debtor is recoverable or not.

Factors taken into account, include default of payments, history of the specific customer with the Company, indications of financial difficulties of the specific customer, credit terms specific to the customer and general economic conditions, see note 12.

Determination of the functional currency

The company operates in an economy which is experiencing a shortage of foreign currency and consequently has exchange control regulations that impact the timing of payment of foreign payables among other matters. Given the context of the environment, management has assessed if there has been a change in the functional currency used by the company. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It is observed that whether cash, bond notes, electronic money transfers or point of sale transactions, the unit of measure across all these payment modes remains US Dollars. Management concluded that the US dollar is still the functional currency as presented in the prior year financial statements.

Long service awards

Long service awards are provided to employees who achieve certain predetermined milestones of service within the entity and the expense is realised in the statement of profit or loss. The entity's obligation under this plan is valued by management at the end of every reporting period and an adjustment is made to reflect the value of the obligation with the other leg being accounted for in the statement of profit or loss.

Factors taken into account in valuing the obligation include the discount rate used in calculating the present value of the obligation, expected amounts of the reward to be offered and number of employees expected to receive the benefits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

		2018 USD	2017 USD
5.	**REVENUE**		
	Brown spirits	19 433 000	17 820 714
	Ciders	12 122 231	7 934 378
	White spirits	3 971 298	5 006 787
	Still wines	3 417 187	2 615 300
	Liqueur	2 065 575	1 428 400
	Spirit coolers	762 387	1 059 986
	Fortified wines	471 967	407 038
	Sparkling wines	363 506	275 830
	Sparkling juice	121 396	164 274
	Excise duties, discounts and royalties	(12 139 188)	(11 822 201)
		30 589 359	**24 890 506**
6.	**OPERATING INCOME**		
	Operating income for the year is stated after:		
6.1	**Impairments and Losses on Disposal of Assets**		
	Impairment recognised on receivables	(251 527)	(89 803)
	Profit/(Loss) on disposal of property, plant and equipment.	5 317	(1 407)
6.2	**Depreciation:**		
	Plant and machinery	537 761	539 035
	Motor vehicles	191 405	231 786
	Office equipment	67 544	74 066
	Buildings	10 290	9 421
		807 000	**854 308**
6.3	**Auditors' Remuneration:**		
	Current year audit fees	68 000	68 000
6.4	**Staff Costs:**		
	Staff costs	5 311 512	4 449 739
	Retirement benefit costs	381 613	398 072
		5 693 125	**4 847 811**
	Compensation of directors and key management:		
	For services as directors	85 904	83 035
	For management services	1 144 566	1 034 922
7.	**TAXATION EXPENSE**		
7.1	**Income Tax:**		
	Current taxation	1 647 345	541 699
	Deferred taxation expense for the year (Note 17)	318 636	528 085
		1 965 981	**1 069 784**
7.2	**Reconciliation of Rate of Income Taxation:**		
	Standard Rate	25.75%	25.75%
	Adjusted for:		
	Disallowed expenditure	-	-
	Other	1.46%	2.16%
	Effective rate	**27.21%**	**27.91%**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

		2018 USD	2017 USD
8.	**EARNINGS PER ORDINARY SHARE**		
8.1	**Attributable Earnings Basis:**		
8.1.1	**Attributable Earnings:**		
	Profit attributable to shareholders (USD)	5 258 066	2 761 968
8.1.2	**Per Share:**		
	Earnings per ordinary share (Cents)	4.53	2.39
8.1.3	**Basis:**		
	Calculations are based on the earnings attributable to ordinary shareholders and the weighted average ordinary share capital in issue for the year.		
	Weighted Average number of shares in issue (millions)	116	115
8.2	**Headline Earnings Basis:**		
8.2.1	**Headline Earnings:**		
	Profit attributable to shareholders (USD)	5 258 066	2 761 968
	(Profit)/Loss on disposal of property, plant and equipment and investments	(5 317)	1 407
		5 252 749	**2 763 375**
8.2.2	**Per Share:**		
	Earnings per ordinary share (Cents)	4.53	2.39
8.2.3	**Basis:**		
	Calculations are based on attributable earnings per share adjusted for items of a capital nature (Note 8.2.1) and the average ordinary share capital in issue for the period. (Note 8.1.3)		
8.3	**Diluted Earnings Basis:**		
	Diluted earnings per share evaluates the sensitivity of base earnings with regards to the changes in capital structure of the Company. The calculations are based on the diluted earnings determined below (Note 8.3.1) and the total of weighted average number of shares used for Earnings Per Share (EPS) (Note 8.1.3) and weighted potential number of ordinary shares.		
8.3.1	**Diluted Earnings**		
	Profit attributable to shareholders	5 258 066	2 761 968
8.3.2	**Weighted Average Number of Shares (millions)**	**117**	**115**
8.3.3	**Per Share**		
	Diluted earnings per share (Cents)	4.49	2.38

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

		2018 USD	2017 USD
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and Improvements		
	Cost	488 475	488 475
	Accumulated depreciation	-	-
		488 475	**488 475**
	Buildings		
	Cost	3 120 982	3 059 067
	Accumulated depreciation	(592 307)	(582 017)
		2 528 675	**2 477 050**
	Plant and Machinery		
	Cost	8 962 203	8 889 972
	Accumulated depreciation	(4 058 803)	(3 555 130)
		4 903 400	**5 334 842**
	Motor Vehicles		
	Cost	2 385 203	2 690 070
	Accumulated depreciation	(1 575 933)	(1 756 820)
		809 270	**933 250**
	Office Equipment		
	Cost	841 555	808 142
	Accumulated depreciation	(491 305)	(453 930)
		350 250	**354 212**
	Total Property, Plant and Equipment	**9 080 070**	**9 587 829**
	Movement in Net Book Value for the Year		
	At the beginning of the year	9 587 829	10 092 981
	Additions	325 587	383 266
	Disposals	(26 346)	(34 110)
	Depreciation	(807 000)	(854 308)
	At End of the Year	**9 080 070**	**9 587 829**
10	**LONG TERM LOANS**		
	Loans to staff	152 280	94 852
	Loans to Directors	217 564	232 564
		369 844	**327 416**

Loans to staff and Directors are largely loans to purchase vehicles under a car scheme at an interest rate of 6% p.a. and a tenure of 5 years.

		2018 USD	2017 USD
11	**INVENTORIES**		
	Finished products	1 863 197	1 498 877
	Maturing spirits and wines	216 216	214 038
	Raw materials	3 241 357	2 798 892
		5 320 770	**4 511 807**
	Allowance for obsolete inventory	-	(23 241)
		5 320 770	**4 488 566**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $12 772 091 (2017: $11 233 596). The value of obsolete inventories written off during the year was $64 154 (2017: $8 119).

		2018 USD	2017 USD
12	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	4 675 467	3 988 104
	Allowance for credit losses	(422 469)	(374 837)
		4 252 998	**3 613 267**
	Other receivables	927 150	717 740
		5 180 148	**4 331 007**

The average credit period on sale of goods is 21 days. No interest is charged on overdue trade receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experiences. The estimate of average days in trade receivables is 44 days (2017: 48 days).

Before accepting any new customer, the Company uses a credit scoring system to assess the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed at management discretion and when the customer is showing signs of financial distress.

Included in the Company's trade receivables are debtors with a carrying amount of USD2 310 825 (2017: USD1 422 584) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company has ten (10) (2017: 10) secured debtors owing $357 194 (2017: $544 987) with security valued at $506 000 (2017: $441 500).

	2018 USD	2017 USD
Ageing of past due but not impaired trade receivables		
21 – 90 days	2 027 480	1 407 702
91 – 120 days	104 090	14 882
120 + days	179 255	-
	2 310 825	**1 422 584**

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for credit losses

	2018 USD	2017 USD
Ageing of impaired trade receivables		
21 – 90 days	139 124	-
91 – 120 days	104 090	2 956
120 + days	179 255	371 881
	422 469	**374 837**

		2018 USD	2017 USD
12	**TRADE AND OTHER RECEIVABLES** (continued)		
	Movement in the allowance for credit losses		
	Balance at the beginning of the year	374 837	415 214
	Impairment recognised on receivables	251 527	89 803
	Bad debts recovered	(180 305)	(77 408)
	Bad debts written off	(23 590)	(52 772)
	Balance at the end of the year	**422 469**	**374 837**
13.	**CURRENT TAX ASSET**		
	Tax refund receivable	-	206 858
14.	**SHORT TERM INVESTMENTS**		
	Unlisted - at fair value	17 449 662	3 268 117
	The Company has invested excess cash holdings in order to maximise interest income.		
15.	**CASH AND CASH EQUIVALENTS**		
	Bank and cash balances	**2 825 496**	**4 253 877**

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. In prior year, the Reserve Bank of Zimbabwe through Exchange Control Operational Guide 8 (ECOGAD 8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments that we make from the bank balances above are ranked based on the prioritization criteria and paid subject to the bank having adequate funds with its foreign correspondent banks. This has resulted in the continuous increase in foreign creditor balances compared to prior year.

Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the USD.

16. SHARE CAPITAL

16.1 Authorised Share Capital

Authorised share capital comprises of 150 000 000 (2017: 150 000 000) ordinary shares.

16.2 Issued and Fully Paid Share Capital

	2018 Number of Shares	2017 Number of Shares
At the beginning of the year	115 537 191	115 306 024
Issued during the year	1 000 000	231 167
At the end of the year	**116 537 191**	**115 537 191**
Ordinary shares at nominal value of $0.01	1 130 873	1 128 561
Exercise of share options	10 000	2 312
Share buyback	(1 000)	-
	1 139 873	**1 130 873**

Share Buyback

The Company is holding 2 599 819 (2017 - 2 499 819) of its own shares as treasury stock. 100 000 shares were bought back during the year under review.

16.3 Unissued Share Capital

Subject to the restrictions imposed by the Companies Act (Chapter 24.03) and the Zimbabwe Stock Exchange (ZSE), the Articles of Association permit the Directors to allocate, at their discretion, the unissued share capital of 33 462 809 ordinary shares (2017: 34 462 809 ordinary shares).

16 SHARE CAPITAL (continued)

16.4 Directors' Interests:

At end of the year the Directors held, directly and indirectly, the following ordinary shares:

	DIRECT		TOTAL	
	Beneficial	Non-beneficial	2018	2017
C Gombera	-	476	476	476
P Gowero	-	117	117	117
M J Hollingworth	360 000	-	360 000	730 000
S W Klopper	-	117	117	117
R H M Maunsell	315 205	117	315 322	315 322
M Ndachena	-	117	117	117
M Valela	-	117	117	117
S V Rushwaya	-	117	117	2 615
G J Schooling	-	117	117	117
	675 205	**1 295**	**676 500**	**1 048 998**

The holding, directly and indirectly, of the Directors in the issued share capital is 0.58% (2017 – 0.91%).

16.5 Employees' Share Option Scheme - shares under option

The Directors are empowered to grant share options to certain employees of the Company. These options are exercisable for a period of seven years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day prior to the granting of options. Each employee share option converts into one ordinary share of African Distillers Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The number of shares subject to option is approved by shareholders in a General Meeting, and the number of options granted is calculated in accordance with the performance-based formula approved by the Remuneration Committee. The number of share options are limited in line with the Zimbabwe Stock Exchange (ZSE) regulations.

Details of Share Options outstanding during the year are as follows;

Date of Grant	Subscription Price US$	Number Of Options 2018	Number Of Options 2017
5 November 2014	0.33	-	860 833
2 February 2016	0.5658	768 833	908 000
9 February 2017	0.60	908 000	908 000
		1 676 833	**2 676 833**

Movement in Share Options during the year	**2018**	**2017**
Number outstanding at beginning of the year	2 676 833	2 000 000
New options granted during the year	-	908 000
Exercised during the year	(1 000 000)	(231 167)
Outstanding at year end	**1 676 833**	**2 676 833**
Breakdown as follows:		
Directors	941 900	1 527 266
Other key management personnel	351 067	526 600
Other management	383 866	622 967
	1 676 833	**2 676 833**

16 SHARE CAPITAL (continued)

16.5 Employees' Share Option Scheme - shares under option (continued)

All options expire, if not exercised ten years after date of grant. Share options granted under the employee share option scheme carry no rights to dividends and have no voting rights. The Company recognised total share option expenses of US$280 175 (2017: $278 317) in respect of share options.

Unallocated share options at year end were 4 092 000 (2017 – 323 167).

In terms of the Company share option scheme, options were granted on 9 February 2017. The estimated fair value of the options granted on the date was $414 739.

The fair values were calculated using Black-Scholes pricing model and the following assumptions were applied.

Assumption	Date of Grant
	2 February 2016
Grant date share price – US$	0.5658
Exercise price	0.5658
Expected volatility	136%
Dividend yield	0.36%
Risk free interest rate	5%
	9 February 2017
Grant date share price – US$	0.60
Exercise price	0.60
Expected volatility	124%
Dividend yield	0.44%
Risk free interest rate	5%

	2018 USD	2017 USD
17. DEFERRED TAXATION		
Arising from the following:		
Property, plant and equipment	2 063 076	1 757 552
Other assets and provisions	(80 183)	(93 295)
	1 982 893	**1 664 257**
Deferred tax movement for the current year		
At the beginning of the year	1 664 257	1 136 172
Arising on current year temporary differences	318 636	528 085
At the end of the year	**1 982 893**	**1 664 257**

		2018 USD	2017 USD
18.	**TRADE AND OTHER PAYABLES**		
	Trade payables – Local	2 347 002	878 067
	Trade payables – Foreign	9 301 735	2 494 858
	Accruals and other payables	2 791 775	3 143 835
		14 440 512	**6 516 760**

Trade payables and accruals are principally comprised of amounts outstanding for trade purchases and ongoing costs. The average credit period on local purchases is 30days and on foreign purchases is 90days.

Included in the foreign trade payables are creditors which are past due with a carrying amount of USD7 913 437 (2017: USD1 855 352). Interest is charged on overdue amounts at 1.16% per month on significant part of the foreign creditors balance.

	2018 USD	2017 USD
Ageing of past due		
31 - 60 days	70 200	-
61 - 90 days	180 187	231 463
91 - 120 days	1 158 997	507 016
121 + days	6 504 053	1 116 873
	7 913 437	**1 855 352**

		2018 USD	2017 USD
19.	**CASH FLOW INFORMATION**		
19.1	**Operating Income before Finance Costs and Taxation:**		
	Operating income	7 105 821	4 056 223
	Realised exchange loss	(99 041)	(259 409)
		7 006 780	**3 796 814**
19.2	**Non-Cash Items**		
	Depreciation (Notes 6.2 & 9)	807 000	854 308
	(Profit)/loss on disposal of property, plant and equipment (Note 6.1)	(5 317)	1 407
	Unrealised exchange gain/(loss)	364 307	(101 565)
	Share option expense	280 175	278 317
		1 446 165	**1 032 467**
19.3	**Changes in Working Capital:**		
	(Increase)/decrease in inventories	(832 204)	612 277
	Increase in trade and other receivables	(849 141)	(786 612)
	Increase in trade and other payables	7 923 752	1 893 684
		6 242 407	**1 719 349**
19.4	**Income Tax Paid**		
	(Asset)/liability at the beginning of the year	(206 858)	291 251
	Current tax (note 7.1)	1 647 345	541 699
	(Liability)/asset at the end of the year	(738 558)	206 858
		701 929	**1 039 808**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

		2018 USD	2017 USD
19.	**CASH FLOW INFORMATION**		
19.5	**Property, Plant and Equipment:**		
	Acquisition of property, plant and equipment		
	Expand operations	(202 426)	(200 863)
	Replacements	(123 161)	(182 403)
	Proceeds on disposal of property, plant and equipment	31 663	32 704
		(293 924)	**(350 562)**
19.6	**Increase in Shareholder funding**		
	Proceeds of shares issued:		
	Share buy back	(152 540)	-
	Share options exercised	361 563	97 151
		209 023	**97 151**

20. DIVIDENDS

	US Cents	US Cents
Interim dividend declared	0.40	0.20
Final – Proposed	1.10	0.45
	1.50	**0.65**

21. RELATED PARTY TRANSACTIONS

Distell Limited (SA) and Delta Corporation Limited each have an effective shareholding of 30.14% (2017: 30.32%) and 37.89% (2017: 38.17%) respectively in the Company.

The following transactions were carried out with related parties at arm's length and in accordance with normal business operations of the Company:

	2018 USD	2017 USD
Distell Limited (SA)		
Purchase of raw materials	3 287 536	1 940 013
Purchase of finished products for resale	2 966 621	2 788 166
Purchase of property, plant and equipment and spares	22 160	65 590
Royalties on finished goods produced and sold under license	892 617	658 439
	7 168 934	**5 452 208**
Delta Corporation Limited		
Purchase of raw materials	290 130	391 055
Technical fees	30 609	-
	320 739	**391 055**
Year-end Balances Payable		
Delta Corporation Limited –raw materials	144 322	148 709
Distell Limited (SA) – raw materials and finished products	7 493 228	2 077 201
Distell Limited (SA) – property, plant and equipment	60 995	92 621
Distell Limited (SA) – royalties	1 387 330	652 715
	9 085 875	**2 971 246**

		2018 USD	2017 USD
21.	**RELATED PARTY TRANSACTIONS** (continued)		
21.1	**Compensation of Key Management Personnel** The remuneration of Directors and other members of key management during the period, as determined by the Remuneration Committee, was as follows:		
	Short term benefits	1 000 884	895 636
	Post employment benefits	143 682	139 286
		1 144 566	**1 034 922**
21.2	**Directors' Emoluments**		
	Fees as directors	85 904	83 035
	Managerial services	1 098 382	1 096 651
		1 184 286	**1 179 686**
21.3	**Loans to Key Management**		
	Refer to Note 10 for terms of the loans	217 564	232 564

22. BORROWING POWERS

In terms of Article 52 of the Company's Articles of Association, the amount owing at any one time in respect of money borrowed or secured by the Directors, shall not, without the sanction of a general meeting, exceed the aggregate of the issued share capital and capital and revenue reserves of the Company.

23 PENSION FUNDS

All employees contribute to one or more of the following independently administered pension funds.

	2018 USD	2017 USD
African Distillers Pension Fund – defined contribution	381 613	398 072
National Social Security Authority Scheme	45 146	45 500
	426 759	**443 572**

23.1 African Distillers Pension Fund

As at 30 June 2018, 185 employees were members of the African Distillers Pension Fund. The fund is an independently administered defined contribution scheme and is, accordingly, not subject to actuarial valuation.

23.2 National Social Security Scheme

This is a defined benefit scheme promulgated under the National Social Security Authority Act 1989. The Company's obligations under the scheme are limited to specific contributions legislated from time to time. These are presently 3.5% (2017: 3.5%) of pensionable emoluments up to a maximum of USD700 (2017: USD700) per month for each employee.

24 FINANCIAL RISK MANAGEMENT

24.1 Liquidity Risk Management

The Company manages liquidity risk through the compilation and monitoring of forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The liquidity risk on foreign creditors and lenders has increased due to delay of foreign payments. Refer to note 15 for additional disclosures under cash and cash equivalents.

The company has no facilities at year end because of large cash holding of $20.3 million. This was done to avoid unnecessary arrangement fees on unutilised facilities.

	0-1 month US$	2-6 months US$	7-12 months US$	Above 12 months US$	Carrying amount US$
LIQUIDITY GAP ANALYSIS AS AT 30 JUNE 2018					
Financial assets by type:					
Cash and cash equivalents	2 825 496	-	-	-	2 825 496
Money market investments	3 359 087	1 882 604	7 154 272	-	12 395 963
Savings Bonds	-	-	5 053 699	-	5 053 699
Long term loans	5 381	26 905	32 286	305 272	369 844
Trade Receivables	2 364 642	2 136 292	28 463	146 071	4 675 467
	8 554 606	**4 045 801**	**12 268 720**	**451 343**	**25 320 469**
Financial liabilities by type:					
Trade and other payables	(2 203 299)	(4 846 124)	(4 808 013)	(843 611)	(12 701 047)
Period gap	6 351 307	(800 323)	7 460 707	(392 268)	-
Cumulative gap	6 351 307	5 550 984	13 011 691	12 619 423	12 619 423
LIQUIDITY GAP ANALYSIS AS AT 30 JUNE 2017					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	4 253 877	-	-	-	4 253 877
Money market investments	-	3 268 117	-	-	3 268 117
Long term loans	2 729	13 645	16 374	294 668	327 416
Trade receivables	2 190 684	1 605 191	24 850	167 379	3 988 104
	6 447 290	**4 886 953**	**41 224**	**462 047**	**11 837 514**
Financial liabilities by type:					
Trade and other payables	(2 924 448)	(924 169)	(1 134 814)	(147 896)	(5 131 327)
Period gap	3 522 842	3 962 784	(1 093 590)	314 151	-
Cumulative gap	3 522 842	7 485 626	6 392 036	6 706 187	6 706 187

24 FINANCIAL RISK MANAGEMENT (continued)

24.2 Interest Rate Risk Management

The Company is exposed to interest rate risk as it borrows at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings within market expectations, and the Company adopts a non-speculative approach to managing interest rate risk.

The Company's exposure to interest rate on financial assets and financial liabilities are detailed in Notes 10 and 12.

Sensitivity Analysis

The sensitivity analysis below has been determined based on exposure to interest rates on floating rate liabilities at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at year end was outstanding for the whole year. A 1% increase or decrease is used and represents management assessment of the reasonably possible change in interest rate.

If interest rates had been 1% higher/ lower, and all other variables were held constant, the Company's income/(cost) for the year ended 30 June 2018 would decrease/ increase by $178 195/($96 569) (2017: $35 007/($nil)).

24.3 Credit Risk Management

Financial assets which potentially subject the Company to concentration of credit risk consist of cash, short term deposits and trade receivables. The Company's cash equivalents and short term deposits are placed with high credit quality financial institutions. Credit risk in respect of trade receivables is limited due to a widespread customer base and on-going evaluations of the financial condition of customers. Apart from OK Zimbabwe, the company does not have significant credit risk exposure to any single counterparty. Concentration of credit risk related to OK Zimbabwe did not exceed 9% (2017 - 12%) of gross monetary assets at the reporting date.

24.4 Foreign Currency Risk Management

The Company undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. Trade related import exposures are managed by the use of forward exchange contracts (FECs) arranged with financial institutions and the introduction of a "cash against delivery" system for most major foreign suppliers.

The Company's net foreign liability exposure as at year end determined using the fair market rates is summarised as follows:

	CURRENCY	2018 USD	2017 USD
Payables	ZAR	9 268 521	2 471 496
	EUR	33 214	23 362
	Total	**9 301 735**	**2 494 858**
Closing exchange rates US$1:	ZAR	13.3703	12.8236
	EUR	0.8705	0.9039

Using a 10% sensitivity on change in foreign currency rates used to adjust the translation at year end of outstanding foreign currency denominated monetary items, the effect on profit and loss would be $930 174 (2017: $249 486) increase in profit before tax where the USD strengthens 10% against the relevant currency and vice versa.

24.5 Fair Values of Financial Instruments

The estimated fair values of all financial instruments approximate the carrying amounts shown in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2018

24 FINANCIAL RISK MANAGEMENT (continued)

24.6 Capital Risk Management

The entity's operating target is to maintain operating assets at a level that is higher than the available operating funds at all times in order to restrict recourse on shareholder's equity for operational funding. The objective was met at all times during the course of the year under review.

The Company's primary objectives in managing capital are:

- to guarantee the ability of the entity to continue as a going concern whilst providing an equitable return to the shareholders and benefit to customers and other stakeholders.
- To maintain a strong fallback position which is commensurate with the level of risk undertaken by the entity in the normal course of its business.

25. GOING CONCERN

The Directors have assessed the ability of the company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

26. SUBSEQUENT EVENTS

There were no significant subsequent events affecting the financial statements for the year ended 30 June 2018.

SUPPLEMENTARY INFORMATION

BOARD OF DIRECTORS

P. GOWERO

S. W. KLOPPER

R. H. M. MAUNSELL

S. V. RUSHWAYA

G. J. SCHOOLING

M. M. VALELA

M. J. HOLLINGWORTH

C. Z. GOMBERA

M. NDACHENA

L. MUTAMUKO

DIRECTORATE

30 June 2018

NON-EXECUTIVE DIRECTORS

P. Gowero - B.Sc. Econ (Hons), MBL *
Appointed as director in August 2015 and as Chairman in November 2015.

S. W. Klopper - B.Acc. (Hons), CA (SA)
Director Operations, Distell Group South Africa.
Appointed as director in December 2009.

R. H. M. Maunsell - B. Bus. Sc., CA (SA), CA (Z)#
Appointed as director in August 2003

S. V. Rushwaya - B.Sc (Soc)#*
Managing Director, Aberfoyle Holdings Limited.
Appointed as director in October 1997.

G. J. Schooling - B.Comm.#*
Group General Manager: Africa, Distell Group, South Africa.
Appointed as director in May 2009.

M. M. Valela - B TECH (Accounts), CA (Z)#*
Executive Director Finance, Delta Corporation Limited.
Appointed as director in August 2011

M. J. Hollingworth - B. Compt., CA (Z)
Joined the Company in February 2003.
Appointed as director in June 2003.
Managing Director – effective January 2011.
Retired as Managing Director – effective 30 June 2013

EXECUTIVE DIRECTORS

C. Z. Gombera - B.A (Hons) Business Studies, MBA
Managing Director – Effective 1 July 2013
Joined the Company in October 2012
Appointed as director in November 2012.

M. Ndachena - B.Acc. (Hons), CA (Z), MBA
Finance Director
Joined the Company in January 2013
Appointed as director in November 2012

COMPANY SECRETARY

L. Mutamuko - B.Acc.(Hons), FCIS
Appointed as Company Secretary in January 2011

TERMS OF REFERENCE AND MEMBERSHIP

\# **Audit Committee**
To assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and corporate control.

* **Remuneration Committee**
To recommend to the Board the remuneration policies for executive directors and senior management and to determine the remuneration of those executives.

SHAREHOLDERS' ANALYSIS

30 June 2018

	2018				2017			
	Shareholders		Shares Held		Shareholders		Shares Held	
Size of Shareholding	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
1 - 5 000	548	73.16	548 701	0.47	556	74.13	556 664	0.48
5 001 - 10 000	62	8.28	460 596	0.40	58	7.73	419 870	0.36
10 001 - 25 000	55	7.34	943 215	0.81	58	7.73	991 398	0.86
25 001 - 50 000	24	3.20	846 746	0.73	30	4.00	1 076 733	0.93
50 001 - 100 000	25	3.34	1 717 285	1.47	15	2.00	1 027 017	0.89
100 001 - 200 000	12	1.60	1 669 468	1.43	12	1.60	1 603 263	1.39
200 001 - 500 000	7	0.93	2 476 656	2.13	5	0.67	1 961 081	1.70
Above 500 000	16	2.14	107 874 524	92.57	16	2.13	107 901 165	93.39
Total	**749**	**100**	**116 537 191**	**100**	**750**	**100**	**115 537 191**	**100.00**
CLASSIFICATION BREAKDOWN								
Residents								
Companies	106	14.15	82 685 776	70.95	113	15.07	82 548 984	71.45
Insurance Companies	5	0.67	12 332 691	10.58	5	0.67	12 102 115	10.47
Pension Funds	52	6.94	8 806 633	7.56	33	4.40	7 713 994	6.68
Individuals	445	59.41	2 214 702	1.90	461	61.47	2 322 956	2.01
Nominees	45	6.01	1 509 685	1.30	44	5.87	1 332 815	1.15
Investments and Trusts	44	5.87	1 038 397	0.89	37	4.93	1 376 969	1.19
Other Organisations	14	1.87	21 532	0,02	18	2.40	126 047	0.11
	711	**95**	**108 609 416**	**93**	**711**	**95**	**107 523 880**	**93**
Non-Resident								
Companies	14	1.87	7 714 340	6.62	15	2.00	7 824 397	6.77
Individuals	24	3.20	213 435	0.18	24	3.20	188 914	0.16
	38	**5**	**7 927 775**	**7**	**39**	**5**	**8 013 311**	**7**
Total	**749**	**100**	**116 537 191**	**100**	**750**	**100**	**115 537 191**	**100**
Ten Largest Shareholders								
Afdis Holdings Pvt Ltd			69 199 354	59.38			69 152 187	59.85
Old Mutual Assurance Company			12 178 702	10.45			12 070 996	10.45
Delta Corporation Limited			9 557 473	8.20			9 557 473	8.27
Stanbic Nominees (Pvt) Ltd NNR			8 604 551	7.38			8 375 513	7.25
Mining Industry Pension Fund			5 406 334	4.64			5 416 867	4.69
African Distillers Limited			2 549 919	2.19			2 449 919	2.12
Local Authorities Pension Fund			1 500 000	1.29			1 500 000	1.30
ZWM Nominees Pvt Ltd			529 700	0.45			940 000	0.81
Distell International Limited			526 599	0.45			526 599	0.46
Maunsell Robert			433 442	0.37			315 322	0.27
			110 486 074	**94.81**			**110 304 876**	**95.47**
Other			**6 051 117**	**5.19**			**5 232 315**	**4.53**
Total			**116 537 191**	**100.00**			**115 537 191**	**100.00**

NOTICE TO SHAREHOLDERS AND PROXIES

For the year ended 30 June 2018

Notice is hereby given that the sixty-eighth Annual General Meeting of the Company will be held in the boardroom at the Head Office, St. Marnock's, Lomagundi Road, Stapleford, Harare, Zimbabwe at 11.30am on Friday 09 November 2018, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 30 June 2018 with the Reports of the Directors and Auditors.
2. In terms of Article 99 of the Company's Articles of Association, Messrs P. Gowero, M. M. Valela and Mrs M. Ndachena retire from the Board by rotation but, being eligible, offer themselves for re-election.
3. To confirm the fees of Directors for the year ended 30 June 2018 of USD85 904, and approve the recommendations of the Remuneration Committee for the fees for the year ending 30 June 2019.
4. To appoint Auditors for the current year and approve their remuneration for the past year ended 30 June 2018 of USD68 000.

SPECIAL BUSINESS

1. SHARE BUY BACK

Shareholders will be asked to consider and if deemed fit, to resolve with or without amendments, that the Company authorises in advance, in terms of section 79 of the Companies Act (Chapter 24:03). The purchase by the Company of its own shares upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine and such authority hereby specifies that:

a. The authority shall expire on the date of the Company's next Annual General Meeting;
b. Acquisitions shall be of ordinary shares which, in aggregate in any one financial year, shall not exceed 10% (ten percent) of the Company's issued ordinary share capital.
c. The maximum and minimum prices, respectively, at which such ordinary shares may be acquired will be not more than 5% (five percent) above and 5% (five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange Limited, as determined over the 5(five) business days immediately preceding the date of purchase of such ordinary shares by the Company.
d. A press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between Annual General Meetings, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition.

It will be recorded that, in terms of the Companies Act and regulations of the Zimbabwe Stock Exchange Limited, it is the intention of the Directors of the Company to utilise this authority at a future date provided the cash resources of the Company are in excess of its requirements and the transaction is considered to be in the best interests of shareholders generally. In considering cash resource availability, the Directors will take account of, inter alia, the long term cash needs of the Company, and will ensure the Company will remain solvent after the re-purchase.

PROXIES

Members are notified that they are entitled to appoint one or more proxies to act in their alternative, to attend and vote and speak in their place at the meeting. A proxy need not be a member of the Company. Proxies must be lodged at the registered office of the Company at least forty-eight hours before the meeting.

By Order of the Board

Lmutamuko

L. MUTAMUKO
Company Secretary

St Marnock's
Stapleford
Harare
Zimbabwe

1 October 2018

CORPORATE INFORMATION AND SHAREHOLDERS' CALENDAR

30 June 2018

CORPORATE INFORMATION

BUSINESS ADDRESS & REGISTERED OFFICE
St Marnock's
Stapleford
Harare

P O Box WGT 890 or WGT 900
Harare

Telephone: 263-242-2930308/9
E-mail: headoffice@afdis.co.zw

AUDITORS
Deloitte and Touche Chartered Accountants (Zimbabwe)
West block
Borrowdale Office Park
Borrowdale Rd
Borrowdale
Harare

P O Box 267
Harare

Telephone: +263 0 8677 000 261

TRANSFER SECRETARIES
Corpserve (Private) Limited
2nd Floor, ZB Centre
Kwame Nkrumah Avenue/First Street
Harare

P O Box 2208
Harare

Telephone: 263-4-751559
Facsimile: 263-4-752629
E-mail: corpserve@corpserve.co.zw

MAIN BANKERS
BancABC
Barclays Bank of Zimbabwe Limited
Nedbank Zimbabwe
Standard Chartered Bank

LAWYERS
Gill, Godlonton and Gerrans
6th & 7th Floors Beverley Court
100 Nelson Mandela Avenue
Harare

Telephone: 263-242-707224
Facsimile: 263-242-707380

SHAREHOLDERS' CALENDAR

30 June 2018
Financial year end

16 August 2018
Final approval of audited results for the year ended 30 June 2018

09 November 2018
Sixty Eighth Annual General Meeting

07 February 2019
Interim Announcement on unaudited results for six months ending 31 December 2018.

25 March 2019
Interim Dividend Payable

30 June 2019
Financial Year End

*21 August 2019
Final approval of audited results for the year ending 30 June 2019

*23 September 2019
Final dividend payable

*08 November 2019
Sixty Ninth Annual General Meeting

* Anticipated dates

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AFRICAN DISTILLERS LIMITED

22,5km peg Lomagundi Road, Stapleford, Harare.
P. O. Box WGT 900, Westgate, Harare.
Telephone: +263 772 235 008-9, +263 242 2930256-7
Email: headoffice@afdis.co.zw
Website: www.africandistillers.co.zw