AFRICAN DISTILLERS LIMITED (Incorporated in Zimbabwe)

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Volumes up 17% from prior year.
- Revenue up 98% to ZWL60.6 million.
- Operating income up 257% to ZWL25,4 million.
- Profit for the year up 243% to ZWL18 million.
- Cash and cash equivalents of ZWL11,9 million.
- Attributable earnings per share up 241% to ZWL15,45 cents.
- Total dividend declared for the year - ZWL5,3 million.
- Government taxes remitted ZWL25,3 million.

CHAIRMAN'S STATEMENT

Overview

The year under review witnessed major monetary and fiscal policy pronouncements, some of these being;

- Separation of foreign currency accounts (FCAs) into RTGS$ and Domestic Nostro FCA at a rate of 1:1 (October 2018 Monetary Policy Statement);
- Introduction of 2% Intermediated Monetary Transfer Tax (IMTT) (Statutory Instrument 205 of 2018);
- Legislation of RTGS$ as a local currency (Statutory Instrument 33 of 2019);
- Introduction of an interbank exchange rate for the trade of the RTGS$ and foreign currencies (Exchange Control Directive RU 28/2019); and
- Re-introduction of the Zimbabwe dollar as the only legal tender for transactions in Zimbabwe (Statutory Instrument 142 of 2019).

All these measures have had a significant effect on both the trading and operating environment of the Company.

Foreign currency shortages persisted throughout the year, impacting on the Company's ability to fully supply the market. The resultant exchange rate fluctuations led to increases in costs which in turn exerted pressure on selling prices.

Currency changes

The monetary authorities introduced the RTGS$ as the transactional currency on 22 February 2019. For accounting purposes, the RTGS$ also became the functional currency on that date. The Company has therefore rebased assets and liabilities to reflect this change in functional currency as detailed in the notes to the financial statements. The Board advises users of these financial statements to exercise caution especially on the statement of profit or loss and other comprehensive income (SOCI) which complies with SI 33/19 but is not in line with International Financial Reporting Standards (IFRS) as it is a summation of different currency values at the time of trade.

In light of the failure to fully comply with International Financial Reporting Standards (IFRSs), the Company's external auditors have issued an adverse opinion on the financial statements for the year ended 30 June 2019.

Trading summary

The Company registered a volume growth of 17% on prior year, largely from the first half to December 2018. Spirits increased by 21%, Ready-to-Drink (RTDs) by 18%, while wine registered a decline of 10%. Product innovation within the gin and vodka segments significantly contributed to the overall spirit category volume growth.

Financial performance

Revenue and operating income grew by 98% and 257% respectively. The significant increase in operating income is as a result of volume upsurge, supply chain cost management and inflation driven price adjustments.

In order to ensure business continuity, the Reserve Bank of Zimbabwe (RBZ) provided a facility to one of the Company's major foreign suppliers amounting to USD$22,5million in line with the Exchange Control Directive RU 28 of 22 February 2019.

Future prospects

Macro-economic conditions continue to deteriorate, further reducing consumer disposable incomes and compromising product demand. Post year-end, the Government changed duty structures effectively doubling excise duty on Company products. Affordability is likely to be a challenge going forward.

The Company will continue to seek opportunities to protect market share and enhance shareholder value.

Dividend

The board has recommended a final dividend of ZWL1,50 cents per share, resulting in a total dividend of ZWL4,50 cents per share for the year, amounting to ZWL5,3 million.

P Gowero
Chairman

Dividend declaration

Notice is hereby given that the Board of Directors declared a final dividend, number 89 of ZWL1.50 cents per share payable in respect of all the qualifying ordinary shares of the Company. This dividend is in respect of the year ended 30 June 2019.

	FINAL DIVIDEND
Dividend Number	89
Announcement Date	13 September 2019
Record Date	27 September 2019
Last Date to Trade	24 September 2019
Ex-Dividend Date	25 September 2019
Payment Date	14 October 2019
Dividend Amount	ZWL 1 759 590
Dividend per Share	ZWL 0.015

By order of the Board

L Mutamuko
Company Secretary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Notes	June 2019 Audited ZWL	June 2018 Audited ZWL
Revenue	4	60 553 196	30 589 359
Cost of sales		(20 139 564)	(14 632 663)
Gross profit		**40 413 632**	**15 956 696**
Other income		539 133	89 810
Distribution costs		(1 092 673)	(682 138)
Administrative expenses		(2 207 564)	(886 283)
Other operating expenses		(12 255 661)	(7 372 264)
Operating income		**25 396 867**	**7 105 821**
Interest income/(expense)		124 564	(147 040)
Net exchange (loss)/gain		(464 894)	265 266
Profit before taxation	5	25 056 537	7 224 047
Taxation expense	6	(7 001 629)	(1 965 981)
Profit for the year		**18 054 908**	**5 258 066**
Other comprehensive income		-	-
Total comprehensive income for the year		**18 054 908**	**5 258 066**
Earning per share (Cents) :			
Attributable		15.45	4.53
Headline		15.43	4.53
Diluted		15.43	4.49

STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	June 2019 Audited ZWL	June 2018 Audited ZWL
ASSETS			
Non-current assets			
Property, plant and equipment	7	21 795 404	9 080 070
Long term loans		325 421	369 844
		22 120 825	**9 449 914**
Current assets			
Inventories	8	24 116 999	5 320 770
Trade and other receivables	9	19 881 394	5 180 148
Short term investments	10	3 818 104	17 449 662
Cash and cash equivalents		11 863 451	2 825 496
		59 679 948	**30 776 076**
Total assets		**81 800 773**	**40 225 990**
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholders' equity		61 038 718	23 064 027
Non-current liabilities			
Deferred taxation		1 399 789	1 982 893
Current liabilities			
Trade and other payables	11	17 388 242	14 440 512
Current tax liabilities		1 974 024	738 558
		19 362 266	**15 179 070**
Total liabilities		**20 762 055**	**17 161 963**
Total equity and liabilities		**81 800 773**	**40 225 990**
Ordinary shares in issue (Actual) (millions)		117	117
Ordinary shares in issue (Weighted average) (millions)		117	116
Current ratio (: 1)		2.95	2.03
Shareholders' equity per share (Cents)		52.17	19.71
Middle market price (Cents)		180.00	145.00

STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Notes	June 2019 Audited ZWL	June 2018 Audited ZWL
Cash flow from operating activities			
Cash generated from trading after non-cash items	12	26 760 349	8 452 945
Changes in working capital		(20 329 816)	6 242 407
Cash generated from operations		6 430 533	14 695 352
Net interest income/(expense)		124 564	(147 040)
Income tax paid		(6 349 267)	(701 929)
Net cash inflow from operating activities		**205 830**	**13 846 383**
Cash flow from investing activities			
Property, plant and equipment	7.1	(575 399)	(293 924)
Decrease/(Increase) in long term loans		44 423	(42 428)
Decrease/(Increase) in short term investments		13 631 558	(14 181 545)
Net cash inflow/(outflow) from investing activities		**13 100 582**	**(14 517 897)**
Net cash inflow/(outflow) from investing and operating activities		**13 306 412**	**(671 514)**
Cash flow from financing activities			
Dividends paid to owners of the Company		(4 696 543)	(965 890)
Increase in shareholder funding		428 086	209 023
Net cash utilised in financing activities		**(4 268 457)**	**(756 867)**
Net movement in cash and cash equivalents		**9 037 955**	**(1 428 381)**
Cash and cash equivalents at beginning of the year		2 825 496	4 253 877
Cash and cash equivalents at end of the year		**11 863 451**	**2 825 496**
Comprising:-			
Bank balances and cash		**11 863 451**	**2 825 496**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 30 June 2019

	June 2019 Audited ZWL	June 2018 Audited ZWL
Shareholders' equity at beginning of the year	23 064 027	18 282 653
Changes in Issued share capital		
Exercise of share options	7 688	10 000
Share buy back	-	(1 000)
Changes in share premium		
Exercise of share options	420 398	351 563
Share buy back	-	(151 540)
Changes in share option reserve		
Recognition of share based payments	984 040	280 175
Transfer from share option reserve due to exercise of share options	(343 710)	(247 715)
Change in functional currency reserve		
Change in functional currency reserve	23 616 280	-
Depreciation charge attributable to the currency uplift for the year	(412 080)	
Changes in distributable reserves		
Transfer from share option reserve due to exercise of share options	343 710	247 715
Total comprehensive income for the year	18 054 908	5 258 066
Dividend paid	(4 696 543)	(965 890)
Shareholders' equity at end of the year	**61 038 718**	**23 064 027**

NOTES
For the year ended 30 June 2019

1. Accounting policies

Accounting policies are consistent with those used in the previous year with no significant impact arising from new and revised International Financial Reporting Standards applicable for the year ended 30 June 2019.

While full compliance with the International Financial Reporting Standards (IFRSs) was achieved in previous reporting periods, only partial compliance was achieved for the year ended 30 June 2019 as a result of non-compliance with International Accounting Standard 21 - The Effects of changes in foreign exchange rates (IAS 21), as set out in note 2.

2. Functional and presentation currency

The financial statements are presented in Zimbabwe dollars (ZWL), which became the functional currency of the Company as from 22 February 2019.

In February 2019, the Government issued Statutory Instrument 33 of 2019 (SI33/19), which directed that all assets and liabilities that were in United States Dollars (US$) before 22 February 2019 be deemed to have become RTGS dollars (and subsequently ZWL as of 24 June 2019) at a rate of 1:1 to the US$. The financial reporting and auditing guidance on currency considerations under the environment prevailing issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21. The Company has reported the Statement of Profit or Loss and Other Comprehensive Income on the basis of the 1:1 in compliance with SI33 of 2019 and in recognition of the multiple exchange rates that were imputed in commercial transactions. The Statement of Financial Position was translated as at 22 February 2019, at the commencement ZWL rate of 2.5 to the US$ and the resultant increase in net assets of ZWL24 million is recorded as a non-distributable currency translation reserve.

NOTES
For the year ended 30 June 2019 (continued)

All transactions post this date are translated to ZWL in accordance with IAS21 at the official interbank rate prevailing at the time of transaction.

The functional currency of the Company changed in the current year to ZWL from US$ in the previous year as a consequence of the above. The Company also changed its presentation currency to ZWL. Financial statements for the year ended 30 June 2019 are presented in ZWL. Comparative information was translated to ZWL using a rate of 1:1, in line with the legally prescribed parity between bond notes, coins and RTGS balances of 1:1 for that period.

3 Share buy back

The Company is holding 2 599 819 (2018: 2 599 819) of its own shares as treasury stock and no additional shares were acquired during the year.

	June 2019 Audited ZWL	June 2018 Audited ZWL
4 Revenue		
Gross sales	77 118 171	42 728 547
Excise duty, royalty & discounts	(16 564 975)	(12 139 188)
	60 553 196	**30 589 359**
5 Profit before tax		
This is stated after charging/(crediting) the following items of significance:		
External audit fees	405 234	68 000
Depreciation	871 200	807 000
Staff costs	7 173 875	5 311 512
Retirement benefit costs	450 588	381 613
Profit from sale of property, plant and equipment	(26 865)	(5 317)
Compensation of directors and key management		
for services as directors	113 444	85 094
for management services	1 692 131	1 144 566
6 Taxation		
Current income tax expense	7 584 733	1 647 345
Deferred tax - Arising on current year temporary differences	(583 104)	318 636
	7 001 629	**1 965 981**
7 Property, plant and equipment		
Movement in the property, plant and equipment balance for the year:		
Balance at the beginning of the year	9 080 070	9 587 829
Capital expenditure	631 472	325 587
Arising from change in functional currency	13 398 935	-
Depreciation charge attributable to the currency uplift for the year	(412 080)	-
Depreciation through statement of profit or loss and other comprehensive income	(871 200)	(807 000)
Disposals	(31 793)	(26 346)
Balance at the end of the year	21 795 404	9 080 070
7.1 Cash flows		
Acquisition of property, plant and equipment	(631 472)	(325 587)
Realised on disposal	56 073	31 663
	(575 399)	**(293 924)**
8 Inventories		
Finished products	12 945 287	1 863 197
Maturing spirits and wines	794 974	216 216
Raw materials	10 376 738	3 241 357
Inventories at end of the year	**24 116 999**	**5 320 770**
9 Trade and other receivables		
Trade receivables *	9 076 518	4 252 998
Prepayments - relating to inventory purchases	9 790 909	519 321
Other receivables	1 013 967	407 829
	19 881 394	**5 180 148**

*The adoption of the guidelines of IFRS 9 (Financial Instruments) resulted in a reduction in the prior year allowance for credit losses and an increase in the retained earnings as at 1 July 2018 of ZWL70 917. The directors deemed the movement to be immaterial and hence did not adjust the opening retained earnings.

	June 2019 Audited ZWL	June 2018 Audited ZWL
10 Short term investments		
Money market investments	3 818 104	17 449 662

These have a tenor of 90 days and to 365 days at an average rate of 5% -(2018-5%).
All prior year investments had a maximum tenor of 90 days.

	June 2019 Audited ZWL	June 2018 Audited ZWL
11 Trade and other payables		
Trade payables - local	1 077 460	2 347 002
Trade payables - foreign	8 044 887	9 301 735
Accruals and other payables	8 265 894	2 791 775
	17 388 241	**14 440 512**

The average credit period on local purchases is 30 days and on foreign purchases is more than 90 days.

	June 2019 Audited ZWL	June 2018 Audited ZWL
12 Cash generated from trading		
Operating income	25 396 867	7 105 821
Realised exchange gain/(loss)	1 489 715	(99 041)
Depreciation	871 200	807 000
Profit on disposal of property, plant and equipment	(26 865)	(5 317)
Share option expense	984 040	280 175
Unrealised exchange (loss)/gain	(1 954 608)	364 307
	26 760 349	**8 452 945**

13 Commitments for capital expenditure:

The Company has no firm capital commitments - (2018- $ nil)

14 Contingent liabilities

The company has no contingent liabilities, current or pending

15 Audit opinion

These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 June 2019 which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. An adverse audit opinion has been issued thereon. The auditors have included a section on key audit matters. The key audit matters were on valuation of expected credit losses on trade and other recievables, valuation and disclosure of prepayments and change in financial reporting Information Technology (IT) system. The auditor's report on the financial statements, which form the basis of these financial results is available for inspection at the company's registered office.

DIRECTORATE

P Gowero (Chairman), *C Gombera (Managing Director), S W Klopper, C Malunga, R H M Maunsell, *M L Ndachena, N Samuriwo, G J Schooling, M M Valela

**Executive Directors*

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AFRICAN DISTILLERS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Adverse Opinion

We have audited the financial statements of African Distillers Limited (the "Company") set out on pages 17 to 46 which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in 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, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, the statement of financial position of the Company as at 30 June 2019 , and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act (Chapter 24:03).

Basis for Adverse Opinion

As described in note 1.2, the Company transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS and mobile money platforms were not legally recognised as currency during the year ended 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency for financial accounting and reporting purposes.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates."

As a result of these factors, the directors performed an assessment on the functional currency of the Company in accordance with IAS 21 and acknowledged that the functional currency of the Company was no longer USD.

On 20 February 2019, a currency called the RTGS Dollar (RTGS$) was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar (RTGS$) and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the Reserve Bank of Zimbabwe at the time it issued the bond notes as currency. The rate post 22 February 2019, on the official interbank market commenced at 1 USD:2.5 RTGS$.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

The directors used the 22 February 2019 date to effect the change in functional currency. Because the Company transacted using a combination of USD, bond notes and coins, RTGS$, and system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in line with SI 33/19 results in material misstatement to the financial performance and cash flows of the Company, as transactions denominated in USD were not appropriately translated during that period.

Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements would have been materially different and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the financial statements of this departure have not been determined and we have been unable to obtain sufficient appropriate evidence to determine the impact of the departure. Furthermore, we draw attention to the change in functional currency reserve presented in the statement of financial position, related to the gain on conversion of selected assets and liabilities to RTGS$ (subsequently ZWL as of 24 June 2019) on change in functional currency from the USD. The directors have applied the conversion selectively on the opening balance sheet and also opted to recognise the gain amounting to ZWL23 616 280 in equity as a non-distributable reserve, which represents a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates. IAS 21 requires that the gain be recognised in the statement of profit or loss and other comprehensive income. Subsequent to 22 February 2019, all movements in these assets and liabilities were recognised through the statement of profit or loss. Consequently, we have not been able to determine whether any other adjustments would be necessary as a result of the above.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

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 statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section of our report, we have determined the matters described below to be the key audit matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of expected credit losses on trade and other receivables.</td></tr>
<tr><td>
The Company adopted the new and complex accounting standard (IFRS 9: Financial Instruments) on 1 July 2018. This standard introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39 (Financial Instruments). The closing impairment allowances reflected in the statement of financial position as at 30 June 2019 and determined in accordance with IFRS 9 were ZWL426,584 as detailed per Note 12.
This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment.
The key areas where we identified greater levels of Director's judgement and therefore increased levels of audit focus in the Company's implementation of IFRS 9 included:

The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model;
Assumptions used in the expected credit loss such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, gross domestic rates, interest rates, gross domestic product growth, inflation); and
The identification of exposures with a significant deterioration in credit quality.

Note 3.14 includes the details of accounting policy around the expected credit loss.
</td><td>
In addressing this matter, we performed the following procedures:

Tested design and implementation of controls around this area;
Specifically considered the validity of the director's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities;
Verified whether the ECL model developed by management is consistent with the requirements of IFRS 9;
Tested the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL; and
Tested key assumptions and judgments, such as those used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of forward looking factors (macroeconomic factors) used to determine expected credit losses.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AFRICAN DISTILLERS LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter	How the matter was addressed in the audit
Valuation and disclosure of prepayments	

During the year, the Company was able to settle foreign liabilities as well as make advance payments to one of its main foreign suppliers and related party, Distell Limited.
 	
Given the significance of the prepayment at year- end and the fact that the prepayment is both qualitatively and quantitatively material, the valuation and disclosure of the balance has been considered as a key audit matter.
 	
The balance as at year-end has been disclosed per note 12 and related party transactions are disclosed per note 20.
	In addressing this matter, we performed the following procedures:
	
	• Inspected the reconciliation of the prepayment against the balance confirmed, assessing reconciling items for reasonableness and rationale as follows:
	  - Inspected bank statements and board minutes confirming authorisation for the transactions;
	  - Inspected guarantees provided by Distell Limited to African Distillers for third party foreign liabilities;
	  - Inspected third party supplier reconciliations for payments made on African Distiller's behalf by Distell Limited; and
	  - Independently confirmed balances owing to third party foreign suppliers.
	• Held discussions with the directors to understand the terms of agreement entered into with Distell Limited in respect of the prepayment;
	• Confirmed the balance with Distell Limited as at year end; and
	• Re-performed the valuation of the prepayment at year end.

Change in financial reporting IT system	
During the year, the entity migrated its financial reporting system from Syspro to SAP. System conversions inherently give rise in the risks of completeness of data transferred from the previous to the new systems and may result in the control systems not being adequate to mitigate risks around change management. The system changeover was determined to be a key audit matter based on the above factors.	Our procedures included but were not limited to the following: • Together with our IT Specialists, obtained an understanding of the system change-over controls implemented and evaluated the adequacy of such controls in ensuring a smooth transition; • Obtained an understanding of the challenges encountered and how they were resolved during the systems conversion in order to develop responses that were appropriate for identified risks of material misstatement; • Performed focused procedures to test the accuracy and completeness of transfer of balances between the legacy and new financial reporting systems; and • Obtained an understanding of the general and application controls that are embedded in the new financial reporting system, including the evaluation of the adequacy and testing of the operating effectiveness of selected controls.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AFRICAN DISTILLERS LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, Company Profile, Financial Highlights, Chairman's Statement, Review of Operations, 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 an audit opinion or any form of assurance 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.

As described in the Basis for Adverse Opinion section above, the Company changed their functional currency to the RTGS$ effective 22 February 2019 (subsequently ZWL as of 24 June 2019). The date of change in functional currency that complies with IFRSs is 1 October 2018 but is inconsistent with S1 33/19. The Directors have chosen to comply with the legislation. Consequently the measurement of the USD transactions between 1 October 2018 and 30 June 2019 does not comply with the requirements of IAS 21, as these transactions have not been appropriately translated in accordance with the Standard. We have determined that the other information is misstated for that reason.

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 (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 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 misstatement, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AFRICAN DISTILLERS LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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: 12 September 2019