



# AFRICAN DISTILLERS LIMITED (Incorporated in Zimbabwe)

## REVIEWED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

### FINANCIAL HIGHLIGHTS

#### INFLATION ADJUSTED

- Volume down 35%
- Revenue up 25% to ZWL223 million
- Operating income up 15% to ZWL62.7 million

#### INFLATION ADJUSTED

- Net cash funds on hand of ZWL45.5 million
- Interim dividend declared ZWL11.7million
- Earnings per share down 71% to ZWL9.37cents

#### HISTORICAL COST

- Revenue up 487% to ZWL152 million
- Operating income up 933% to ZWL 96 million
- Government taxes remitted ZWL39.8 million

### CHAIRMAN'S STATEMENT

#### Overview

The Company's results for the period under review were achieved in a harsh trading environment characterised by rising inflation, declining disposable incomes and shortage of foreign currency. Faced with these circumstances, the Company had to frequently review prices whilst considering consumer affordability.

#### Trading summary

The Company registered a volume decline of 35% on prior year. Consumer trends have shown a shift from premium and mainstream segments to value products in reaction to the erosion of disposable incomes. Performance of the spirit segment was negatively impacted by the prevalence of counterfeit and illicit alcoholic beverages.

#### Financial Results

##### Application of IAS 29: Inflation Adjusted Financial Statements

The Public Accountants and Auditors Board (PAAB) has pronounced that the economy is trading under the conditions of hyperinflation in line with IAS 29 (Pronouncement 1/2019). The directors have applied the guidelines provided by PAAB and the accounting bodies and made various assumptions to produce the inflation adjusted financial information.

In the previous year, (year ended June 2019), the Company complied with Statutory Instrument 33/19 (SI33/19) and resultantly partially complied with the requirements of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" and as a result of the carry over effect to the current period financials, the external auditors have issued a modified conclusion as detailed in note 13.

Revenue and operating income grew by 25% and 15% respectively driven by replacement cost pricing.

Net funds were at ZWL45.5million. Most of this was awaiting foreign currency allocation at the banks to enable funding of external supplies for business continuity.

#### Future Prospects

The future remains uncertain given the ongoing shortage of foreign currency, hyperinflation and poor agricultural season. This will impact negatively on volume and margin performance.

The Company will continue to explore strategies designed to best serve the market and ensure business continuity.

#### Dividend

The board has recommended an interim dividend of ZWL10.00 cents per share, amounting to ZWL11.7million.

#### P Gowero

##### Chairman

#### Dividend Declaration

Notice is hereby given that the Board of Directors declared an interim dividend, number 90, of ZWL10.00 cents per share payable in respect of all the qualifying ordinary shares of the Company. This dividend is in respect of the half year ended 31 December 2019.

	INTERIM DIVIDEND
Dividend Number	90
Announcement Date	19 March 2020
Record Date	03 April 2020
Last Date to Trade	31 March 2020
Ex-Dividend Date	01 April 2020
Payment Date	23 April 2020
Dividend Amount	ZWL 11 730 602
Dividend per Share	ZWL 10.00 Cents

By order of the Board

#### L Mutamuko

##### Company Secretary

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2019

Notes	INFLATION ADJUSTED		HISTORIC COST	
	December 2019 Reviewed ZWL\$	December 2018 Unaudited ZWL\$	December 2019 Reviewed ZWL\$	December 2018 Unaudited ZWL\$
Revenue	223 213 967	178 118 570	151 777 698	25 868 065
Cost of sales	(105 358 963)	(85 104 491)	(26 077 601)	(11 119 287)
<b>Gross profit</b>	<b>117 855 004</b>	<b>93 014 079</b>	<b>125 700 097</b>	<b>14 748 778</b>
Other income	727 666	782 909	379 445	106 812
Distribution costs	(3 589 951)	(3 561 673)	(2 492 347)	( 504 882)
Administrative expenses	(9 322 261)	(5 092 686)	(5 773 533)	( 724 930)
Other operating expenses	(42 926 358)	(30 696 320)	(21 670 244)	(4 320 025)
<b>Operating income</b>	<b>62 744 100</b>	<b>54 446 309</b>	<b>96 143 418</b>	<b>9 305 753</b>
Interest income	125 211	108 544	50 365	34 914
Net exchange gain/(loss)	6 756 014	( 122 720)	2 697 673	366 317
Net monetary (loss)/gain	(22 084 756)	1 410 692	-	-
<b>Profit before taxation</b>	<b>47 540 569</b>	<b>55 842 825</b>	<b>98 891 456</b>	<b>9 706 984</b>
Taxation expense	(36 552 078)	(17 935 279)	(27 587 022)	(2 624 125)
<b>Profit for the period</b>	<b>10 988 491</b>	<b>37 907 546</b>	<b>71 304 434</b>	<b>7 082 859</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>10 988 491</b>	<b>37 907 546</b>	<b>71 304 434</b>	<b>7 082 859</b>
<b>Earnings per share (Cents) :</b>				
Attributable	9.37	32.44	60.94	6.08
Headline	9.36	32.42	60.94	6.08
Diluted	9.32	32.29	60.65	6.02

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Notes	December 2019 Reviewed ZWL\$		June 2019 Reviewed ZWL\$	
	December 2019 Reviewed ZWL\$	June 2019 Reviewed ZWL\$	December 2019 Reviewed ZWL\$	June 2019 Audited ZWL\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	66 452 586	64 398 134	24 476 963	21 795 404
Long term loans	424 672	1 040 046	424 672	325 421
	66 877 258	65 438 180	24 901 635	22 120 825
<b>Current assets</b>				
Inventories	118 570 558	143 053 073	53 322 539	24 116 999
Trade and other receivables	194 957 406	155 835 260	76 953 129	19 881 394
Short term investments	66 323	12 201 811	66 323	3 818 104
Cash and cash equivalents	47 042 013	37 912 950	47 042 013	11 863 451
	360 636 300	349 003 094	177 384 004	59 679 948
<b>Total assets</b>	<b>427 513 558</b>	<b>414 441 274</b>	<b>202 285 639</b>	<b>81 800 773</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Shareholders' equity	344 415 233	337 496 270	128 986 856	61 038 718
<b>Non-current liabilities</b>				
Deferred taxation	15 194 450	15 067 508	5 394 908	1 399 789
<b>Current liabilities</b>				
Short term borrowings	1 603 820	-	1 603 820	-
Trade and other payables	49 999 664	55 568 954	49 999 664	17 388 242
Current tax liability	16 300 391	6 308 542	16 300 391	1 974 024
	67 903 875	61 877 496	67 903 875	19 362 266
<b>Total liabilities</b>	<b>83 098 325</b>	<b>76 945 004</b>	<b>73 298 783</b>	<b>20 762 055</b>
<b>Total equity and liabilities</b>	<b>427 513 558</b>	<b>414 441 274</b>	<b>202 285 639</b>	<b>81 800 773</b>
Ordinary shares in issue (Actual) (millions)	117	117	117	117
Ordinary shares in issue (Weighted average) (millions)	117	117	117	117
Interest bearing debt to shareholders' equity (%)	0.47	0.73	0.73	0.73
Current ratio (: 1)	5.31	5.64	2.61	3.08
Shareholders' equity per share (Cents)	294.37	288.46	110.25	52.17
Middle market price (Cents)	319.00	180.00	319.00	180.00

### STATEMENT OF CASH FLOWS

For the half year ended 31 December 2019

	INFLATION ADJUSTED		HISTORIC COST	
	December 2019 Reviewed ZWL\$	December 2018 Unaudited ZWL\$	December 2019 Reviewed ZWL\$	December 2018 Unaudited ZWL\$
<b>Cash flow from operating activities</b>				
Cash generated from trading after non-cash items	51 363 814	65 271 821	99 904 942	10 508 109
Changes in working capital	(20 208 921)	(117 282 667)	(53 665 854)	(18 881 334)
Cash generated from/(used in) operations	31 154 893	(52 010 846)	46 239 088	(8 373 225)
Net interest income	125 211	216 870	50 365	34 914
Income tax paid	(26 433 287)	(12 406 940)	(9 265 536)	(1 997 393)
Net cash inflow/(outflow) from operating activities	4 846 817	(64 200 916)	37 023 917	(10 335 704)
<b>Cash flow from investing activities</b>				
Property, plant and equipment	(5 404 401)	(3 030 307)	(3 397 115)	(487 849)
Decrease/(increase) in long term loans	615 374	153 879	(99 251)	24 773
Decrease in short term investments	12 135 488	96 815 126	3 751 781	15 586 265
Net cash inflow from investing activities	7 346 461	93 938 698	255 415	15 123 189
<b>Net cash inflow from investing and operating activities</b>	<b>12 193 278</b>	<b>29 737 783</b>	<b>37 279 332</b>	<b>4 787 485</b>
<b>Cash flow from financing activities</b>				
Dividends paid to owners of the Company	(4 668 035)	(7 788 497)	(3 704 590)	(1 253 870)
Increase in short term borrowings	1 603 820	-	1 603 820	-
Net cash utilised in financing activities	(3 064 215)	(7 788 497)	(2 100 770)	(1 253 870)
<b>Net movement in cash and cash equivalents</b>	<b>9 129 063</b>	<b>21 949 286</b>	<b>35 178 562</b>	<b>3 533 615</b>
Cash and cash equivalents at beginning of the period	37 912 950	17 550 757	11 863 451	2 825 496
<b>Cash and cash equivalents at end of the period</b>	<b>47 042 013</b>	<b>39 500 043</b>	<b>47 042 013</b>	<b>6 359 111</b>
<b>Comprising:-</b>				
Bank balances and cash	47 042 013	39 500 043	47 042 013	6 359 111

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the half year ended 31 December 2019

	6 Months Ended December 2019 Reviewed ZWL\$	12 Months Ended June 2019 Reviewed ZWL\$	6 Months Ended December 2019 Reviewed ZWL\$	12 Months Ended June 2019 Audited ZWL\$
<b>Shareholders' equity at beginning of the period</b>	<b>337 496 270</b>	<b>170 496 515</b>	<b>61 038 718</b>	<b>23 064 027</b>
<b>Changes in Issued share capital</b>				
Exercise of share options	-	40 629	-	7 688
<b>Changes in share premium</b>				
Exercise of share options	-	2 221 609	-	420 398
<b>Changes in share option reserve</b>				
Recognition of share based payments	598 507	11 592 486	348 294	984 040
Transfer from share option reserve due to exercise of share options	-	(1 816 349)	-	(343 710)
<b>Changes in functional currency reserve</b>				
Foreign currency translation reserve	-	56 376 308	-	23 204 200
<b>Changes in distributable reserves</b>				
Transfer from share option reserve due to exercise of share options	-	1 816 349	-	343 710
Total comprehensive income for the period	10 988 491	124 234 209	71 304 434	18 054 908
Dividend paid	(4 668 035)	(27 465 486)	(3 704 590)	(4 696 543)
<b>Shareholders' equity at end of the period</b>	<b>344 415 233</b>	<b>337 496 270</b>	<b>128 986 856</b>	<b>61 038 718</b>

### NOTES

For the half year ended 31 December 2019

#### 1 Accounting Policies

Accounting policies are consistent with those used in the previous year.

#### Inflation adjustment

The condensed interim financial results have been prepared under the current cost basis in line with the provisions of International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies. The Public Accountants and Auditors Board (PAAB) pronounced that the economy is trading under the conditions of hyperinflation in line with IAS 29 (Pronouncement 1/2019). The directors have applied the guidelines provided by PAAB and the accounting bodies and made various assumptions to produce the inflation adjusted financial information. The conversion factors have been computed from the consumer price index (CPI) data prepared by the Zimbabwe Central Statistical Office as reported on the Reserve Bank of Zimbabwe website.

The conversion factors used to restate the interim financial results are as follows:

	Index	Conversion Factor
31-Dec-19	551.6	1
30-Jun-19	172.61	3.196
31-Dec-18	88.8	6.212
30-Jun-18	62.6	8.812

#### 2 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.

	December 2019 Reviewed ZWL\$	December 2018 Reviewed ZWL\$	December 2019 Unaudited ZWL\$	December 2018 Unaudited ZWL\$
<b>3 Revenue</b>				
Gross sales	279 274 532	236 105 119	193 063 638	34 208 547
Excise duty, royalty & discounts	(56 060 565)	(57 986 549)	(41 285 940)	(8 340 482)
	223 213 967	178 118 570	151 777 698	25 868 065
<b>4 Profit before tax</b>				
This is stated after charging/(crediting) the following items of significance:				
Depreciation	3 356 235	3 172 452	720 148	429 293
Staff costs	22 912 828	13 741 763	14 577 807	3 045 524
Profit from sale of property, plant and equipment	(6 286)	(16 891)	(4 591)	(2 284)
<b>5 Taxation</b>				
Current income tax expense	36 425 136	17 361 907	23 591 903	2 728 806
Deferred tax - Arising on current year temporary differences	729 642	573 372	4 051 111	(1 104 681)
Arising on rate adjustment	(602 700)	-	(55 992)	-
	36 552 078	17 935 279	27 587 022	2 624 125
<b>6 Property, plant and equipment</b>				
Movement in the property, plant and equipment balance for the period:				
Balance at the beginning of the period	64 398 134	67 151 860	21 795 404	9 080 070
Capital expenditure	5 410 687	4 238 128	3 401 707	631 472
Arising from change in functional currency	-	-	-	13 398 833
Depreciation	(3 356 235)	(6 259 285)	(720 148)	(1 283 178)
Disposals	(732 569)	-	-	(31 793)
Balance at the end of the period	66 452 586	64 398 134	24 476 963	21 795 404
<b>7 Inventories</b>				
Finished products	76 321 368	101 201 365	18 732 087	12 945 287
Maturing spirits and wines	1 692 342	1 656 816	1 302 658	794 974
Raw materials	40 556 848	40 194 892	33 287 794	10 376 738
	118 570 558	143 053 073	53 322 539	24 116 999
<b>8 Trade and other receivables</b>	</			

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF AFRICAN DISTILLERS LIMITED  
REPORT ON INTERIM FINANCIAL INFORMATION AS 31 DECEMBER 2019**

Dear Sirs/ Madams

## **Introduction**

We have reviewed the inflation adjusted statements of financial position of African Distillers Limited as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the 6 months period then ended. Management is responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on the interim financial information based on the interim financial information based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is essentially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## **Basis for Adverse Conclusion**

The Company transacted using a combination of United States Dollars (USD), bond notes and bond coins during the year ended 30 June 2019. 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 financial year end June 2019 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."

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF AFRICAN DISTILLERS LIMITED  
REPORT ON INTERIM FINANCIAL INFORMATION AS 31 DECEMBER 2019**

**Basis for Adverse Conclusion (Continued)**

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\$.

The directors used the 22 February 2019 date to effect the change in functional currency. The change in functional currency reserve presented in the inflation adjusted 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 comparative inflation adjusted statement of financial position and also opted to recognise the gain amounting to ZWL 56 376 308 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.

Had the Company applied the requirements of IAS 21, many of the elements of the accompanying inflation adjusted interim financial information would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. Accordingly, our conclusion on the six month period's financial statements is also modified because of the above carry over effects in the current six month period which have not been fully determined.

**Adverse Conclusion**

Due to the significant of the matter described in the Basis for Adverse Conclusion paragraph, we conclude that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34).

*Deloitte & Touche*

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

Date: 16 March 2020

