

## FRICAN DISTILLERS LIVITED (Incorporated in Zimbabwe) **REVIEWED CONDENSED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31** DECEMBER

#### FINANCIAL HIGHLIGHTS

#### Volume up 39%

INFLATION ADJUSTED

- Revenue up 40% to ZWL1.7 billion
- Operating income up 8% to ZWL304 million
- Net cash on hand of ZWL195 million
- Loss per share at ZWL 252.47 cents

#### CHAIRMAN'S STATEMENT

#### Overview

There was a general improvement in the economic environment over the six-month period under review owing to a relatively stable foreign exchange market, and improved availability of foreign currency from both the auction system and relaxed foreign currency regulations.

The COVID-19 pandemic has significantly changed and interrupted businesses, not just in Zimbabwe but the world over. However, there has been minimal disruption to the Company as operations continued during lockdown periods. A business continuity plan is in place and management continues to observe and implement protocols in accordance with published World Health Organisation guidelines.

**Trading summary** Volume grew by 39% from prior period, mainly driven by spirits and ciders which grew by 57% and 33% respectively. Wines declined by 22% mainly affected by the reduced activity in the restaurant and hotel channel compounded by supply disruptions due to COVID 19

#### Financial performance

Revenue and operating income grew by 40% and 8% respectively. In historical cost terms, the increases in revenue and operating income were 736% and 450% respectively driven by high volume, and cost containment.

Net cash on hand was ZWL195 million (June 2020: ZWL32.8 million).

#### **DIVIDEND DECLARATION**

Notice is hereby given that the Board of Directors declared an interim dividend, number 91, of ZWL50.00 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 2020.

	INTERIM DIVIDEND
Dividend Number	91
Announcement Date	09 March 2021
Record Date	26 March 2021
Last Date to Trade	23 March 2021
Ex-Dividend Date	24 March 2021
Payment Date	20 April 2021
Dividend Amount	ZWL 59 194 896
Dividend per Share	ZWL 0.5

#### By order of the Board

L Mutamuko

REVIEWED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2020		INFLATION December 2020 Reviewed	ADJUSTED December 2019 Reviewed	HISTOR December 2020 Supplementary Information	IC COST December 2019 Supplementary Information
	Notes	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue Cost of sales	3	1 719 994 (1 220 818)	1 232 600 (669 514)	1 587 377 (882 582)	189 940 (58 337)
Gross profit		499 176	563 086	704 795	131 603
Other income Distribution costs Administrative expenses Other operating expenses		4 851 (21 648) (34 461) (143 855)	3 264 (16 105) (41 820) (226 952)	4 059 (19 634) (31 518) (128 994)	379 (2 492) (5 774) (27 573)
Operating income Interest income Net exchange gain Net monetary loss		304 063 36 58 088 (697 389)	281 473 562 30 308 (99 074)	528 708 25 50 578 -	96 143 50 2 698
(Loss)/profit before taxation Taxation	4 5	(335 202) 36 308	213 269 (163 974)	579 311 (143 423)	98 891 (27 587)
(Loss)/profit for the period		(298 894)	49 295	435 888	71 304
Other comprehensive income Total comprehensive (loss)/income		(298 894)	49 295	435 888	71 304
(Loss)/earnings per share (Cents) : Attributable Headline Diluted		(252.47) (252.47) (244.39)	42.02 42.01 41.83	368.18 368.18 356.41	60.94 60.94 60.65

#### REVIEWED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2020		INFLATI	ON ADJUSTED	HISTO	DRIC COST
		December 2020 Reviewed	June 2020 Audited	December 2020 Supplementary Information	June 2020 Supplementary Information
ASSETS	Notes	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Non-current assets					
Property, plant and equipment	6	331 401	324 764	54 387	34 210
Long term loans		6 370	649	6 370	379
		337 771	325 413	60 757	34 589

### HISTORIC COST

- Revenue up 736% to ZWL1.6 billion
- Operating income up 450% to ZWL529 million •
  - Net cash funds on hand of ZWL195 million
- Earnings per share up 504% to ZWL368.18 cents • Interim dividend declared ZWL 59 million
- Government taxes remitted ZWL 413 million

#### Future prospects

The anticipated good agricultural season is expected to benefit the economy by increasing the disposable incomes and improved food supplies resulting in net savings on the food import bill.

The full impact of COVID 19 remains uncertain. The Company has implemented mitigatory measures that will ensure business continuity. The health and safety of employees and stakeholders will remain of paramount importance during the COVID-19 pandemic.

The Company will continue to focus on exploring revenue growth opportunities, efficient conversion of cash resources into raw materials and cost containment. This will ensure business viability and profitability.

#### Dividend

The Board has recommended an interim dividend of ZWL50 cents per share, amounting to ZWL59,194,896.



P Gowero Chairman

#### REVIEWED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the half year ended 31 December 2020

	INFLATIC December 2020 I Reviewed	DN ADJUSTED December 2019 Reviewed	HIST December 2020 Supplementary Information	ORIC COST December 2019 Supplementary Information
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Shareholders' equity at beginning of the period	1 480 738	1 514 027	243 589	61 038
Changes in issued share capital Share buy back	(9)	-	(9)	-
Changes in share premium Share buy back	(44)	-	(42)	-
Changes in share option reserve Recognition of share based payments expense	1 625	2 687	1 462	348
<b>Changes in distributable reserves</b> Share buy back Total comprehensive income for the period Dividend paid	( 18 776) ( 298 894) -	49 295 ( 20 941)	(18 337) 435 888 -	71 304 (3 704)
Shareholders' equity at end of the period	1 164 640	1 545 068	662 551	128 986

#### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL RESULTS For the half year ended 31 December 2020

#### 1

**Basis of preparation** The reviewed condensed interim financial statements of African Distillers Limited have been prepared in accordance with IAS 34 - Interim Financial Reporting and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Requirements.

#### 1 1 Hyperinflation

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS 29 (Financial Reporting in Hyper Inflationary Economies) compliant. 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-20	2 474.5	1.00
30-Jun-20	1 445.2	1.71
31-Dec-19	551.6	4.49

#### 1.2 Accounting policies

Accounting policies and critical judgements are consistent with those applied in prior year. The reviewed interim financial results should be read in conjunction with the latest annual report of the Company.

#### 1.3 Historical information

The historical financial disclosures are shown as complementary information. The information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 (Financial Reporting in Hyper inflationary Economies). As a result, the auditors have not issued a review conclusion on the historic financial information.

#### 2 Share buy back

The Company is holding 3 434 842 (2019: 2 549 919) of its own shares as treasury stock. During the period under review, the Company bought 884 923 shares at a total cost of ZWL18 828 372 and this amount is included in shareholders equity.

	INFLATION ADJUSTED HISTORIC December 2020 December 2019 December 2020 D Reviewed Reviewed Supplementary S Information					
		ZWL 000	ZWL 000	ZWL 000	ZWL 000	
3	Revenue Gross sales Discounts	1 807 495 ( 87 501)	1 252 842 ( 20 242)	1 663 760 ( 76 383)	193 064 ( 3 124)	
4	<b>Profit before tax</b> This is stated after charging/(crediting) the following items of significance:	1 719 994	1 232 600	1 587 377		
	Depreciation Staff costs Profit from sale of property, plant and equipment	18 233 231 968 -	15 056 102 788 ( 28)	2 850 211 259 -	14 578 ( 5)	
5	Taxation   Current income tax expense   Deferred tax - Arising on current year temporary differences   Arising on tax rate adjustment	165 623 ( 201 931)	163 405 3 273 ( 2 704)	152 748 ( 9 325)	23 592 4 051 ( 56)	
		(36 308)	163 974	143 423	27 587	
	De	INFLATION cember 2020 Reviewed	June 2020 D	HISTOF ecember 2020 Supplementary Information	RIC COST June 2020 Supplementary Information	
6	<b>Property, plant and equipment</b> Movement in the property, plant and equipment balance for the year:	ZWL 000		ZWL 000	ZWL 000	
	Balance at the beginning of the period Capital expenditure Arising from change in functional currency	324 764 24 870	288 904 57 316	34 210 23 027	21 795 15 662 ( 626)	
	Depreciation Disposals	( 18 233)	( 16 068) ( 5 388)	( 2 850)	( 2 259) ( 362)	
	Balance at the end of the period	331 401	324 764	54 387	34 210	
7	Inventories Finished products Maturing spirits and wines Raw materials Allowance for obsolete inventory Inventories at end of the period	161 364 8 816 384 393 ( 714) 553 859	308 106 5 512 337 515 ( 418) 650 715	98 473 5 168 184 493 (29) 288 105	56 582 1 843 98 630 ( 28) 157 027	
8	Trade and other receivables Trade receivables	309 940	165 448	309 940	96 628	

Current assets					
Inventories	7	553 859	650 715	288 105	157 027
Trade and other receivables	8	775 570	1 136 194	655 958	219 243
Short term investments	9	68 195 375	115 56 048	68 195 375	67 32 734
Cash and cash equivalents		1 524 872	1 843 072	1 139 506	409 071
		1 524 672	1043072	1 139 300	409 07 1
Total assets		1 862 643	2 168 485	1 200 263	443 660
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital Share premium		38 013 162 398	38 022 162 442	1 150 5 716	1 159 5 758
Share option reserve		40 652	39 027	4 017	2 555
Non-distributable reserve		-	-	5 361	5 361
Accumulated profit		923 577	1 241 247	646 307	228 756
Total capital and reserves		1 164 640	1 480 738	662 551	243 589
Non-current liabilities					
Deferred taxation		161 796	363 726	1 505	10 830
Current liabilities					
Trade and other payables	10	432 261	292 568	432 261	170 871
Current tax liability		103 946	31 453	103 946	18 370
		536 207	324 021	536 207	189 241
Total liabilities		698 003	687 747	537 712	200 071
Total equity and liabilities		1 862 643	2 168 485	1 200 263	443 660
Ordinary shares in issue (Actual) (millions) Ordinary shares in issue (Weighted average	) (millions)	118 118	118 117	118 118	118 117 2
Current ratio (: 1)	/ (11/11/01/5/	3	6	2	2
Shareholders' equity per share (Cents) Middle market price (Cents)		987 2 400	1 255 1 850	561 2 400	20 <del>6</del> 1 850
(indice price (ocitio)		2 400	1 000	2 400	1 0000

## REVIEWED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the hair year ended 31 December 2020		INFLATI December 2020 Reviewed	ON ADJUSTED December 2019 Reviewed	HISTO December 2020 Supplementary Information	ORIC COST December 2019 Supplementary Information
Cook flow from encreting activities	Notes	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Cash flow from operating activities Cash (utilised in)/generated from trading after non-cash items Changes in working capital Cash generated from operations Net interest income	11	(315 380) 597 174 281 794 36 ( 93 130)	230 421 (90 658) 139 763 562 (118 582)	583 598 ( 306 403) 277 195 25 ( 67 172)	99 905 (53 666) 46 239 50 ( 9 265)
Income tax paid Net cash generated from operating activities		188 700	21 743	210 048	37 024
Cash flow from investing activities Property, plant and equipment (Increase)/decrease in long term loans Decrease/ (increase) in short term investments Net cash (utilised in)/generated from investing Net cash generated from investing and operati		(24 870) (5 721) 47 ( 30 544)	(24 244) 2 760 54 440 32 956 54 699	(23 027) (5 991) (1) (29 019) 181 029	(3 397) (99) 3 752 256 37 280
Cash flow from financing activities Dividends paid to owners of the Company Increase in short term borrowings Payment for shares bought back Net cash utilised in financing activities		( <u>18 829)</u> ( 18 829)	(20 941) 7 195 - ( 13 746)	( <u>18 388)</u> ( 18 388)	(3 705) 1 604 ( 2 101)
Net movement in cash and cash equivalents Cash and cash equivalents at beginning of the p	eriod	139 327 56 048	40 953 170 080	162 641 32 734	35 179 11 863
Cash and cash equivalents at end of the period	k	195 375	211 033	195 375	47 042
Comprising:- Bank balances and cash		195 375	211 033	195 375	47 042

Prepayments - relating to inventory purchases Other receivables Allowance for credit losses	468 417 1 411 (4 198) 775 570	970 130 2 866 ( 2 250) 1 136 194	348 805 1 411 (4 198) 655 958	122 255 1 674 (1 314) 219 243
9 Short term investments Money market investments	68	115	68	67
This money is held in a savings account at 2.5% per annum (201	19: 2.5%).			
10 Trade and other payables Trade payables - local Trade payables - foreign Accruals and other payables	30 596 175 408 226 257 432 261	41 906 100 420 150 242 292 568	30 596 175 408 226 257 432 261	24 475 58 649 87 747 170 871

The average credit period on local purchases is 7 days while the average credit period for foreign purchases is more than 90 days.

D	ecember 2020 Reviewed ZWL 000	December 2019 Reviewed ZWL 000	December 2020 Supplementary Information ZWL 000	December 2019 Supplementary Information ZWL 000
11 Cash (utilised in)/generated from trading Operating income Net exchange gain Depreciation	304 063 58 088 18 233	281 473 30 308 15 056	528 708 50 578 2 850	96 143 2 698 720
Profit on disposal of property, plant and equipment Share option expense Net monetary loss	1 625 (697 389) (315 380)	(28) 2 686 (99 074) 230 421	1 462	(5) 349  99 905

#### **12 Capital commitments**

The Company has no firm capital commitments.

#### **13 Contingent liabilities**

The Company has no contingent liabilities, current or pending.

#### 14 Going concern

The Directors have assessed the ability of the Company to continue as a going concern and believe that the preparation of these condensed interim financial results on a going concern basis is appropriate.

#### COVID-19

The World Health Organisation (WHO) declared COVID-19 as a pandemic in January 2020. The Government declared the pandemic a national disaster and has followed WHO guidelines on awareness, hygiene and curtailed social and business activities since mid-March 2020. The national, regional and global responses that were implemented and may remain in place to counteract COVID-19, have pervasive and negative impacts on the economy and the Company's business activities.

The COVID-19 infections rose sharply towards the end of December 2020 leading to the tightening of the restrictions in January 2021. The Company has implemented enhanced measures on hygiene, provision of sanitary equipment, disinfection and decongesting workplaces. The manufacturing and distribution operations have remained functional, forecasts have shown sales volumes above the breakeven levels. The Board cannot reasonably estimate the duration and severity of the pandemic at this stage as the COVID-19 pandemic is complex and rapidly evolving.

#### 15 Subsequent events

There were no significant events after the period under review.

#### 16 Review conclusion

The condensed interim financial results have been reviewed by Deloitte & Touche (Chartered Accountants) Zimbabwe who indicate that nothing has come to their attention that causes them to believe that the accompanying inflation adjusted condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Zimbabwe Stock Exchange Listing Requirements.

The auditor's review conclusion is available for inspection at the Company's registered office and on the website (www.africandistillers.co.zw).

**DIRECTORATE:** P Gowero (Chairman), \*C Gombera (Managing Director), S W Klopper, C Malunga, R H M Maunsell, \*M L Ndachena, N Samuriwo, R Pieters, M M Valela - \**Executive Directors* 

# Deloitte.

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#### INDEPENDENT REVIEWER'S REPORT TO THE MEMBERS OF AFRICAN DISTILLERS LIMITED

#### REPORT ON THE REVIEW OF THE INFLATION ADJUSTED CONDENSED INTERIM FINANCIAL RESULTS

#### Introduction

We have reviewed the inflation adjusted condensed interim financial results of African Distillers Limited ("the Company"), which comprise the inflation adjusted condensed statement of financial position as at 31 December 2020 and the inflation adjusted condensed statement of comprehensive income, the inflation adjusted condensed statement of changes in equity, and the inflation adjusted condensed statement of cash flows for the year then ended, and the selected explanatory notes to the inflation adjusted condensed interim financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Zimbabwe Stock Exchange Listing Requirements. Our responsibility is to express a conclusion on this 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 consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially 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.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying inflation adjusted condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Zimbabwe Stock Exchange Listing Requirements.

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

Deloitte à Touche

DELOITTE & TOUCHE Registered Auditor Per Charity Mtwazi Partner PAAB Practice Certificate Number: 0585

05 March 2021

A full list of partners and directors is available on request

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited