

AFRICAN DISTILLERS LIMITED

(Incorporated in Zimbabwe)

AFRICAN DISTILLERS LIMITED REVIEWED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

Inflation Adjusted Volume up 66%

- Revenue up 55% to ZW\$2.6 billion
- Operating income down 46% to ZW\$226 million
- Net cash on hand of ZW\$174 million
- Earnings per share at ZW\$38.71 cents

Historical Cost

- Revenue up 187% to ZW\$2.4 billion
- Operating income up 47% to ZW\$480 million
- Net cash funds on hand of ZW\$174 million
- Earnings per share at ZW\$257.58 cents Interim dividend declared ZW\$84 million
- Government taxes remitted ZW\$746 million

CHAIRMAN'S STATEMENT

Overview

The economic environment for the six months period under review was relatively stable anchored on the good agricultural season as well as the partial easing of COVID-19 lockdown restrictions. As a result, there was improved consumer demand across the business' product portfolio. The ability to trade in foreign currency, though constrained, helped sustain business operations.

Volume increased by 66% over same period last year. Ready to drink volume at 116% against prior period witnessed the largest growth of the three categories. This was largely attributed to improved availability of Ciders. Wines and Spirits grew by 88% and 34% respectively. The Company, however, continues to observe the presence of cheap and illicit spirits in small packs.

Financial performance

In inflation adjusted terms, revenue increased by 55% to ZW\$2.6 billion whilst operating income declined to ZW\$226 million. In historical cost terms, revenue increased by 187% to ZW\$2,4 billion whilst operating income increased by 47% to ZW\$480 million. The slower growth in operating income is as a result of cost normalisation, increased distribution and COVID-19 related expenses. Growth in revenue in both inflation and historical terms was due to firm demand which resulted in higher volumes.

Net cash on hand was ZW\$174 million.

The operating environment is expected to remain relatively stable, and management continues to focus on exploring revenue and profitability growth opportunities through product innovation, market share protection, production efficiencies and cost containment. Cost containment measures will include local production of some brands such as 4th Street. This will ensure enhancement of shareholder value.

The health and safety of employees and stakeholders remain of paramount importance to the business during the COVID-19 pandemic. The Company continues to implement COVID-19 mitigatory measures that will ensure business continuity.

The board has recommended an interim dividend of ZW\$ 70 cents per share, amounting to ZW\$83.6 million.



Chairman

16 November 2021 **Dividend Declaration**

Notice is hereby given that the Board of Directors declared an interim dividend, number 92, of ZW\$ 70 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 30 September 2021.

	INTERIM DIVIDEND
Dividend Number Announcement Date Record Date Last Date to Trade Ex-Dividend Date	92 18 November 2021 03 December 2021 30 November 2021 01 December 2021
Payment Date	28 December 2021
Dividend Amount	ZW\$ 83.6 million
Dividend per Share	ZW\$ 70 cents

By order of the Board

Mutamuko

L. Mutamuko Company Secretary

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

For the half year ended 30 September 2021						
			N ADJUSTED September 2020	HISTO September 2021 Supplementary	ORIC COST September 2020 Supplementary	
	Notes	Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000	
Revenue Cost of sales	3	2 641 761 (1 745 788)	1 705 684 (866 552)	2 429 555 (1 353 800)	847 516 (314 093)	
Gross profit		895 973	839 132	1 075 755	533 423	
Other income Distribution costs Administrative expenses Other operating expenses		8 128 (57 209) (60 818) (559 747)	7 826 (17 774) (56 460) (353 980)	7 561 (52 872) (55 861) (494 382)	4 297 (10 331) (26 634) (173 191)	
Operating income Interest income Interest expense Net exchange (loss)/gain Net monetary loss		226 327 594 (3 137) (49 735) (34 745)	418 744 229 (234) 37 403 (140 112)	480 201 546 (2 848) (44 858)	327 564 103 (71) 40 081	
Profit before taxation Taxation	4 6	139 304 (93 259)	316 030 (159 779)	433 041 (126 673)	367 677 (91 449)	
Profit for the period		46 045	156 251	306 368	276 228	
Other comprehensive income Total comprehensive income		46 045	156 251	306 368	276 228	
Earnings per share (Cents) : Basic Headline Diluted		38. 71 38. 72 37. 66	132. 38 234. 34 227. 97	257. 58 257. 58 250. 58	234. 03 234. 34 227. 97	

REVIEWED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION As at 30 September 2021

As at 30 September 2021		INFLATION A	ADJUSTED March 2021	HISTOI September 2021	RIC COST March 2021
	•	•		Supplementary	Supplementary
	Notes	Reviewed ZW\$ 000	Audited ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
ASSETS					
Non-current assets Property, plant and equipment Long term loans	7	476 200 19 672 495 872	443 723 11 923 455 646	108 339 19 672 128 011	61 667 9 846 71 513
Current assets		493 672	433 040	128 011	
Inventories Trade and other receivables Short term investments Cash and cash equivalents	8 9 10	883 379 826 199 69 173 882 1 883 529	1 025 324 677 234 82 90 596 1 793 236	695 773 757 752 69 173 882 1 627 476	588 547 478 792 68 <u>74 814</u> 1 142 221
Total assets		2 379 401	2 248 882	1 755 487	1 213 734
EQUITY AND LIABILITIES Capital and reserves					
Share capital Share premium Share option reserve Non-distributable reserve		51 351 221 066 64 037	51 338 219 332 57 415	1 161 7 306 12 090 5 361	1 150 5 715 6 072 5 361
Accumulated profit Total capital and reserves		1 129 878 1 466 332	1 085 471 1 413 556	965 643 991 561	660 838 679 136
Non-current liabilities Deferred taxation		153 763	188 085	4 620	108
Current liabilities Trade and other payables Current tax liability	11	698 617 60 689 759 306	558 230 89 011 647 241	698 617 60 689 759 306	460 985 73 505 534 490
Total liabilities		913 069	835 326	763 926	534 598_
Total equity and liabilities		2 379 401	2 248 882	1 755 487	1 213 734
Ordinary shares in issue (Actual) (millions Ordinary shares in issue (Weighted average Current ratio (: 1) Shareholders' equity per share (Cents) Middle market price (Cents)		119 119 2 1 232 7 500	118 118 3 1 198 2 400	119 119 2 833 7 500	118 118 2 576 2 400

REVIEWED CONDENSED INTERIM STATEMENT OF CASH FLOWS

,	INFLATION September 2021	ADJUSTED September 2020	HISTOR September 2021 Supplementary	IC COST September 2020 Supplementary
Notes	Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
Cash flow from operating activities Cash generated from trading				
after non-cash items 12	220 441	474 629	460 352	361 177
Changes in working capital	196 648	(153 580)	(97 758)	(244 159)
Cash generated from operations	417 089	321 049	362 594	117 018
Interest received	594	229	546	103
Interest paid	(3 137)	(234)	(2848)	(71)
Income tax paid	(155 903)	(132 887)	(134 977)	(55 679)
Net cash generated from operating activities	258 643	188 157	225 315	61 371
Cash flow from investing activities				
Purchase of property, plant and equipment	(56 270)	(51 780)	(52 155)	(23 614)
Additional long term loans issued	(7 749)	(184)	(9826)	(122)
Decrease/ (increase) in short term investments	13	173	(1)	(1)
Net cash utilised in investing activities	(64 006)	(51 791)	(61 982)	(23 737)
Net cash generated from investing and	104 607	106.066	160 000	27.624
operating activities	194 637	136 366	163 333	37 634
Cash flow from financing activities				
Dividends paid to owners of the Company	(71 682)	(33 276)	(59 195)	(9 493)
Repayment of short term borrowings	-	(6730)	-	(1632)
Proceeds from exercise of share options	1 748	2 456	1 602	807
Net cash utilised in financing activities	(69 934)	(37 550)	(57 593)	(10 318)
Inflation effect	(34 745)	(137 118)		
Net movement in cash and cash equivalents	89 958	(38 302)	105 740	27 316
Net foreign exchange difference	(6672)	(58302)	(6 672)	(3843)
Cash and cash equivalents at beginning of the period	90 596	126 005	74 814	30 555
	172.000	01.070	172.000	
Cash and cash equivalents at end of the period	173 882	<u>81 879</u>	173 882	54 028
Comprising:-				
Bank balances and cash	173 882	81 879	173 882	54 028

REVIEWED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the half year ended 30 September 2021

For the Hall year ended 50 September 2021	INFLATION Period ended				ORIC COST Period ended
	September 2021			September 2021 Supplementary	September 2020 Supplementary
	Reviewed ZW\$ 000	_	nreviewed ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
Shareholders' equity at beginning of the period	1 413 556	1	151 312	679 136	144 679
Changes in issued share capital Exercise of share options	12		33	11	11
Changes in share premium Exercise of share options	1 735		2 423	1 591	796
Changes in share option reserve Recognition of share based payments expense Transfer from share option reserve due to exercise	4 984		4 624	4 455	2 276
of share options	(1637)		(1792)	(1563)	(640)
Changes in accumulated profit					
Transfer from share option reserve due to exercise of share options Total comprehensive income for the period Dividend	1 637 46 045		1 792 156 251 (33 276)	1 563 306 368	640 276 228 (9 493)
Shareholders' equity at end of the period	1 466 332	1	281 367	991 561	414 497

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL RESULTS For the half year ended 30 September 2021

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 (ZW\$). 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
30-Sep-21 31-Mar-21 30-Sep-20	3 342 2 760 2 205	1.00 1.21 1.52
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.

NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL RESULTS (continued) For the half year ended 30 September 2021

1.3 Historical information

The historical financial disclosure is shown as suplementary 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.

1.4 Comparative information

In prior year, the Company changed its financial year end from June 30 to March 31 to align with the Group (Delta Corporation Limited). As a result, the comparative figures stated in these condensed interim financial results are for the comparable period of six

The Company is holding 3 434 842 (March 2021: 3 434 842) of its own shares as treasury stock. No additional shares were acquired

	auring the period.	INFLATION otember 2021	ADJUSTED September 2020	HISTOR September2021 Supplementary	RIC COST September2020 Supplementary
		Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
3	Revenue Spirits Ready-to-drink (RTDs) Wines (Discounts)	1 545 025 965 607 184 570 (53 441) 2 641 761	1 240 513 461 335 121 136 (117 300) 1 705 684	1 421 673 889 110 168 251 (49 479) 2 429 555	615 954 237 860 60 078 (66 376) 847 516
4	Profit before tax This is stated after charging/(crediting) the following items of significance: Depreciation Staff costs Loss on disposal of property, plant and equipment	23 778 231 968 15	25 199 34 724 5 870	5 481 211 259 2	2 251 14 578 362

Delta Corporation Limited ("Delta") and Distell Limited (South Africa) ("Distell") each have an effective shareholding of 50.79% (March 2021: 50.44%) and 29.94% (March 2021:30.04%) respectively in the Company.

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

		INFLATION A	DJUSTED	HISTOR	IC COST
	Deferred tax	(34 322) 93 259	(28 572) 159 779	4 512 126 673	(829) 91 449
6	Taxation Current income tax expense	127 581	188 351	122 161	92 278
_		3 086	2 162	2 819	1 088
	Forklift hire IT Costs	2 136 950	1 654 508	1 953 866	825 263
	Delta Corporation Limited				
	sold under license	54 971 432 890	30 179 249 702	50 665 394 771	<u>14 825</u> 129 685
	Purchase of property, plant and equipment and spares Royalties on finished goods produced and	20 749	7 911	17 861	3 524
	Distell Limited (South Africa) Purchase of raw materials Purchase of finished products for sale	285 942 71 228	155 317 56 295	258 319 67 926	76 804 34 532
	B1 - H11 1- 1701 441 - 3				

	Deferred tax	<u>(34 322)</u> 93 259	<u>(28 572)</u> 159 779	4 512 126 673	<u>(829)</u> 91 449
		INFLATION A			IC COST
	Sep	tember 2021		September 2021	March 2021
		Reviewed ZW\$ 000	Audited ZW\$ 000	Supplementary Information ZW\$ 000	Supplementary Information ZW\$ 000
7	Property, plant and equipment Movement in the property, plant and equipment balance for the year: Balance at the beginning of the period Additions Depreciation Disposals Balance at the end of the period	443 723 56 270 (23 778) (15) 476 200	438 619 45 287 (38 927) (1 256) 443 723	61 667 52 155 (5 481) (2) 108 339	34 210 32 399 (4 904) (38) 61 667
8	Inventories Finished products Maturing spirits and wines Raw materials Allowance for obsolete Inventory Inventories at end of the period	245 981 15 312 622 710 (624) 883 379	284 998 42 693 701 476 (3 844) 1 025 324	190 062 13 963 492 018 (270) 695 773	171 035 31 110 387 940 (1 538) 588 547
9	Trade and other receivables Trade receivables Prepayments - relating to inventory purchases # Other receivables * Allowance for credit losses	419 349 331 941 79 810 (4 901) 826 199	250 421 428 489 3 387 (5 063) 677 234	419 349 270 930 72 374 (4 901) 757 752	206 797 273 379 2 797 (4 181) 478 792
	* Other receivables include sundry debtors, staff welfar # Included in prepayements are balances with related				
	Distell Limited (South Africa)	35 943	63 154	876	1 539
10	Short term investments Money market investments	69	82	69	68
	This money is held in a savings account at 2.5% per annum (2020: 2.5%).				
11	Trade and other payables Trade payables - local Trade payables - foreign Dividend payable Accruals and other payables ^	72 983 298 474 327 160 698 617	26 488 209 734 71 682 250 325 558 230	72 983 298 474 - 327 160 698 617	21 874 173 198 59 195 206 718 460 985

^ Accruals and other payables include leave pay provision, long service awards, accruals for statutory payments and other sundry Included in trade payables are balances with related parties as follows; Distell Limited (South Africa) 158 965

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

		INFLATION	ADJUSTED	HISTORIC COST		
		September 2021	September 2020	September 2021	September 2020	
		·	·	Supplementary	Supplementary	
		Reviewed	Unreviewed	Information	Information	
		ZW\$ 000	ZW\$ 000	ZW\$ 000	ZW\$ 000	
12	Cash generated from trading					
	Profit before taxation	139 304	316 030	433 041	367 677	
	Unrealised exchange loss/(gain)	15 071	(17 211)	15 071	(11 357)	
	Depreciation	23 778	25 199	5 481	2 251	
	Loss on disposal of property, plant and equipment	15	5 870	2	362	
	Share option expense	4 985	4 624	4 455	2 276	
	Interest income	(594)	(229)	(546)	(103)	
	Interest expense	3 137	234	2 848	71	
	Net monetary loss	34 745	140 112			
		220 441	474 629	460 352	361 177	

13 Capital commitments The Company has no firm capital commitments.

14 Contingent liabilities The company has no contingent liabilities, current or pending.

15 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. There has been general stability in the economic environment owing to a relatively stable foreign exchange market, and improved availability of foreign currency from relaxed foreign currency regulations. The company has been able to meet all its foreign currency operational requirements, and this is expected to prevail in the ensuing year.

The company has put in place a business continuity plan that has enabled the manufacturing, selling and distribution operations to remain functional with very minimal disruptions. The vaccination programme spearheaded by the Government is expected to minimise the impact of COVID-19 to businesses. Neither the Board nor the Government can reasonably estimate the duration of this pandemic at this stage as it is complex and evolving.

16 Subsequent events

There were no significant events after the period under review.

The Company condensed inflation adjusted interim financial statements from which these abridged results have been extracted, should be read in conjunction with the complete set of the interim abridged inflation adjusted financial statements for the half year ended 30 September 2021 which have been reviewed by the Company's external auditors, Ernst & Young Chartered Accountants (Zimbabwe).

The auditors have issued an adverse review conclusion with respect to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", including historical errors not adjusted in terms of international Accounting Standards 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the application of the International Accounting Standards 29; "Financial Reporting in Hyper inflationary Economies".

The independent review conclusion on the condensed inflation adjusted interim financial statements is available for inspection at the registered office of the company. The engagement partner responsible for this review is Fungai Kuipa (PAAB Practising Certificate



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 24 2750905-14 or 2750979-83 Fax: +263 24 2750707 or 2773842 Email: admin@zw.ey.com www.ey.com

Report on Review of Interim Financial Information

To the Members of African Distillers Limited

Introduction

We have reviewed the accompanying interim condensed inflation adjusted financial statements of African Distillers Limited as set out on pages 8 to 15, which comprise the interim condensed inflation adjusted statement of financial position as at 30 September 2021 and the related interim condensed inflation adjusted statements of profit or loss and other comprehensive income, changes in equity and cash flows for the half-year period then ended and explanatory notes.

Management is responsible for the preparation and fair presentation of this interim condensed inflation adjusted financial information in accordance with the International Financial Reporting Standards ('IFRS'). Our responsibility is to express a conclusion on this interim condensed inflation adjusted 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 condensed inflation adjusted 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.

Basis for Adverse Conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors:

Exchange rate used in the prior year and current half year

Effective 1 August 2020 to 30 September 2021, management applied an internally generated exchange rate (transaction rate) to translate foreign denominated transactions and balances to the functional and reporting currency, the Zimbabwe Dollar (ZW\$). We believe that the use of a transaction rate was inappropriate for financial reporting as it did not meet the definition of a spot rate. We believe that management should have applied the auction exchange rate as it met the International Financial Reporting Standards definition of a spot rate.

Management has not made retrospective adjustments in terms of IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors to correct the above matters. Consequently, many corresponding amounts on the interim inflation adjusted condensed financial statements are misstated, impacting comparability of the current period numbers.



Independent Auditor's Review Conclusion - Continued

African Distillers Limited

As a result of the matters, in addition to misstated comparatives, the following elements on the interim inflation adjusted condensed financial statements contain misstatements due to errors in closing balances still comprising a significant portion of the opening balances as well as the effect of the continuing of the matters in the current financial period. The misstatements we could quantify for the Interim condensed inflation adjusted statement of financial position are detailed below.

			30 Septemb	er 2021	31 March	2021
			Disclosed amount ZW\$	Misstatement ZW\$	Disclosed amount ZW\$	Misstatement ZW\$
Cash equival	and ents	cash	173 882 000	15 746 012	90 596 000	Nil
Trade payable	and es	other	698 617 000	76 757 825	558 230 000	Nil

For the following balance sheet elements, we could not quantify the misstatements. However, we believe the financial statements are materially misstated due to the issues noted above; Deferred Tax Liability – ZW\$153 763 000 (31 March 2021: ZW\$188 085 000), Accumulated Profit – ZW\$1 129 878 000 (31 March 2021: ZW\$1 085 471 000), Current Tax liabilities – ZW\$60 689 000(31 March 2021: ZW\$89 011 000), Inventories – ZW\$883 380 000 (31 March 2021: ZW\$1 025 324 000) and trade and other receivables – ZW\$826 199 000 (31 March 2021 ZW\$677 234 000)

Virtually, all elements on the interim condensed inflation adjusted statement of profit or loss and other comprehensive income for current and prior year except for other income, interest income and interest expense are materially misstated as a result of the matters described above. Due to the volume of transactions, the misstatements on the interim condensed inflation adjusted statement of profit or loss and other comprehensive income cannot be quantified. Consequently, the interim condensed inflation adjusted statements of changes in equity and cashflows are impacted.

Consequential impact on IAS 29 - 'Financial Reporting in Hyperinflationary Economies'

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, the above stated accounts would have been materially different. Consequently, the monetary gains or losses of ZW\$34 745 000 on the interim condensed inflation adjusted Statement of profit or loss and other comprehensive income are impacted.

The effects of the above departures from IFRS are material and pervasive to the interim condensed financial information

Adverse Conclusion

Our review indicates that, because the of the matters outlined in the basis for adverse conclusion, as described in the preceding paragraph, this interim condensed inflation adjusted financial information does not present fairly, in all material respects, the financial position of the company as at 30 September 2021, and of its financial performance and its cash flows for the half-year period then ended in accordance with the International Financial Reporting Standards.



Independent Auditor's Review Conclusion - Continued

African Distillers Limited

Other matter

That the interim condensed inflation adjusted financial statements and the annual inflation adjusted financial statements of the prior period were audited by another auditor, and an unmodified review conclusion and audit opinion were issued respectively.

The engagement partner on the review engagement resulting in this review conclusion report on the interim condensed inflation adjusted financial information is Fungai Kuipa (PAAB Practicing Certificate Number 335).

Einer! Joung

Ernst & Young Chartered Accountants (Zimbabwe) Registered Public Auditors Harare

18 November 2021