



## **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 Policies, 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 (ZWS). 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 Policies, 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 September 2021		31 March 2021	
	Disclosed amount ZW\$	Misstatement ZW\$	Disclosed amount ZW\$	Misstatement ZW\$
Cash and cash equivalents	173 882 000	15 746 012	90 596 000	Nil
Trade and other payables	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.

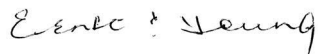
**Independent Auditor's Review Conclusion – Continued**

*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).



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

18 November 2021