



AFRICAN DISTILLERS LIMITED

(Incorporated in Zimbabwe)

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

INFLATION ADJUSTED			HISTORIC COST		
	12 Months March 2022	9 Months March 2021		12 Months March 2022	9 Months March 2021
	ZW\$	ZW\$		ZW\$	ZW\$
Revenue - billions	8.7	4.8	Revenue - billions	6.6	2.4
Operating income - billions	2.2	0.68	Operating income - billions	1.8	0.66
Net cash on hand - millions	108.2	129.3	Net cash funds on hand - millions	108.2	74.8
Earnings/(Loss) per share - cents	605	(594)	Earnings per share - cents	1 025	431
Government taxes remitted - billions	2.9	1.5	Government taxes remitted - billions	2.2	0.77
Dividend paid - millions	103.4	102.2	Dividend paid - millions	81.6	59.2

CHAIRMAN'S STATEMENT

Change of financial year

The Company changed its financial year end in 2021 from June 30 to March 31 to align with Delta Group which had acquired additional shareholding, resulting in it being a subsidiary. The current financial statements cover a 12-month period from April to March whilst the prior year period covers a 9-month period from July to March, therefore care should be exercised when making comparison between the periods.

Overview

The operating environment for the reporting period was relatively stable except at the end of the financial year when the economy experienced significant foreign exchange rate volatility. Resultantly, value chain costs increased necessitating frequent price reviews. COVID-19 restrictions impacted negatively on glass supply from South Africa thereby affecting our ability to meet demand on some brands in the final quarter. The ability of the business to continue trading in foreign currency helped in sustaining the Company's import requirements.

Trading summary

Volume increased by 36% on the comparative twelve-month prior period mainly driven by Wines and Ready to drink (RTDs) segments which grew by 65% and 50% respectively. In the last quarter of the year, growth in the RTD segment was severely curtailed by the regional shortage of glass which led to supply shortages with the Hunters' brand being the worst affected. Efforts are underway to widen the glass supply base to minimise product shortages in future. The Company continues to face price competition from counterfeit and illicit spirits. The business is investing in new capacity to improve efficiencies and reduce production costs whilst engaging the relevant authorities to address compliance issues.

Financial performance

In inflation adjusted terms, revenue was ZW\$8.7 billion whilst operating income was at ZW\$2.2 billion. In historical cost terms, revenue was ZW\$6.7 billion whilst operating income was ZW\$1.8 billion. Revenue growth in both inflation and historical terms was driven by firm demand which resulted in higher volumes. Net cash on hand was ZW\$108.2 million.

Future prospects

The operating environment is set to remain challenging and the company has put in place mitigatory plans for business growth.

Management continues to focus on revenue and profitability growth opportunities through product innovation, market share protection, production efficiencies and cost containment. Capital projects to localise some imported products are at advanced stages of implementation.

The health and safety of employees and stakeholders remain of paramount importance. The Company continues to implement COVID-19 control protocols.

Dividend

The board has recommended a final dividend of US\$0.003 per share amounting to US\$352.5 thousand. An interim dividend of ZW\$0.70 per share for the year was paid in December 2021, amounting to ZW\$83.6 million.


M M Valela
Chairman

DIVIDEND DECLARATION

Notice is hereby given that the Board of Directors declared a final dividend, number 93, of US\$0.003 per share payable in respect of all the qualifying ordinary shares of the Company. This dividend is in respect of the year ended 31 March 2022.

	FINAL DIVIDEND
Dividend Number	93
Announcement Date	18 May 2022
Record Date	03 June 2022
Last Date to Trade	31 May 2022
Ex-Dividend Date	01 June 2022
Payment Date	04 July 2022
Dividend Amount	US\$352 517
Dividend per Share	US\$0.003

By order of the Board


L Mutamuko
Company Secretary

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 March 2022

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000	12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000
Revenue	3	8 667 729	4 767 404	6 562 432	2 408 716
Cost of sales		(4 583 857)	(3 107 206)	(3 387 717)	(1 264 758)
Gross profit		4 083 872	1 660 198	3 174 715	1 143 958
Other operating income		29 636	9 574	23 361	4 185
Distribution costs		(200 973)	(65 667)	(154 097)	(33 194)
Administrative expenses		(207 614)	(123 465)	(161 512)	(63 794)
Other operating expenses		(1 471 833)	(800 955)	(1 116 142)	(388 926)
Operating income		2 233 088	679 685	1 766 325	662 229
Interest income		2 056	815	1 576	432
Interest expense		(6 692)	(266)	(4 749)	(135)
Net exchange (losses)/gains		(285 328)	36 723	(236 630)	16 017
Net monetary loss		(860 990)	(1 486 912)	-	-
Profit/(Loss) before taxation	4	1 082 134	(769 955)	1 526 522	678 543
Taxation	6	(359 817)	66 277	(301 756)	(168 598)
Profit/(Loss) for the period		722 317	(703 678)	1 224 766	509 945
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		722 317	(703 678)	1 224 766	509 945
Earnings/(Loss) per share (Cents) :					
Basic		622.56	(594.37)	1 055.61	430.73
Headline		622.71	(592.86)	1 055.64	430.77
Diluted		592.02	(567.74)	1 003.84	411.43

CONDENSED STATEMENT OF FINANCIAL POSITION As at 31 March 2022

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000	12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000
ASSETS					
Non-current assets					
Property, plant and equipment	8	803 687	632 798	248 642	61 667
Long term loans receivable		22 869	17 004	22 869	9 846
Deferred taxation		-	-	1 596	-
		826 556	649 802	273 107	71 513
Current assets					
Inventories	9	1 643 38 1	1 462 228	1 288 765	588 547
Trade and other receivables	10	1 308 063	965 811	1 166 020	478 792
Cash and cash equivalents		232 358	129 318	232 358	74 882
		3 183 802	2 557 357	2 687 143	1 142 221
Total assets		4 010 358	3 207 159	2 960 250	1 213 734
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		73 247	73 216	1 176	1 150
Share premium		318 584	312 789	10 522	5 715
Share option reserve		95 541	81 881	17 094	6 072
Non-distributable reserve		-	-	5 361	5 361
Accumulated profit		2 170 693	1 548 004	1 806 921	660 838
Total capital and reserves		2 658 065	2 015 890	1 841 074	679 136
Non-current liabilities					
Deferred taxation		233 117	268 230	-	108
Current liabilities					
Trade and other payables	11	913 728	796 099	913 728	460 985
Current tax liability		81 256	126 940	81 256	73 505
Short-term borrowings		124 192	-	124 192	-
		1 119 176	923 039	1 119 176	534 490
Total liabilities		1 352 293	1 191 269	1 119 176	534 598
Total equity and liabilities		4 010 358	3 207 159	2 960 250	1 213 734
Ordinary shares in issue (Actual) (millions)		121	118	121	118
Ordinary shares in issue (Weighted average) (millions)		116	118	116	118
Current ratio (: 1)		3	3	2	2
Shareholders' equity per share (Cents)		2 198	1 703	1 522	574
Middle market price (Cents)		23 110	4 275	23 110	4 275

CONDENSED STATEMENT OF CASH FLOWS For the year ended 31 March 2022

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		12 Months March 2022 Audited ZW\$ 000	Restated 9 Months March 2021 Audited ZW\$ 000	12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000
Cash flows from operating activities					
Cash generated from trading after non-cash items	7	2 045 524	791 556	1 565 558	693 148
Changes in working capital		(303 549)	1 144 050	(914 617)	(471 869)
Cash generated from operations		1 741 975	1 935 606	650 941	221 279
Interest received		2 056	815	1 576	432
Interest paid		(6 692)	(266)	(4 749)	(135)
Income tax paid		(399 094)	(246 270)	(295 709)	(124 185)
Net cash flows generated from operating activities		1 338 245	1 689 885	352 059	97 391
Cash flows from investing activities					
Purchase of property, plant and equipment		(244 208)	(64 585)	(201 885)	(32 399)
Increase in long-term loans receivable		(31 592)	(24 598)	(31 592)	(14 078)
Proceeds from repayment of long-term loans receivable		25 727	8 844	18 569	4 611
Net cash flows utilised in investing activities		(250 073)	(80 339)	(214 908)	(41 866)
Cash flows from financing activities					
Proceeds from exercise of share options		5 826	-	4 833	-
Dividend paid to owners of the Company		(205 581)	-	(140 750)	-
Proceeds from short-term borrowings		40 000	-	40 000	-
Payment for shares bought back		-	(36 933)	-	(18 720)
Net cash flows utilised in financing activities		(159 755)	(36 933)	(95 917)	(18 720)
Net movement in cash and cash equivalents		928 417	1 572 613	41 234	36 805
Net foreign exchange difference	12	43 898	9 111	32 050	5 276
Inflation effect on cash and cash equivalents	12	(953 467)	(1 560 579)	-	-
Cash and cash equivalents at beginning of the period		129 318	108 173	74 882	32 801
Cash and cash equivalents at end of the period		148 166	129 318	148 166	74 882
Comprising:-					
Bank balances and cash		232 358	129 318	232 358	74 882
Bank overdraft		(84 192)	-	(84 192)	-
		148 166	129 318	148 166	74 882

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the year ended 31 March 2022

	INFLATION ADJUSTED		HISTORIC COST	
	12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000	12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000
Shareholders' equity at beginning of the year	2 015 890	2 852 015	679 136	243 589
Changes in issued share capital				
Share options exercised	31	-	26	-
Share buy back	-	(17)	-	(9)
Changes in share premium				
Share options exercised	5 795	-	4 807	-
Share buy back	-	(85)	-	(43)
Changes in share option reserve				
Share based payment	17 386	6 713	13 894	3 517
Transfer from share option reserve due to exercise of share options	(3 726)	-	(2 872)	-
Changes in distributable reserves				
Transfer from share option reserve due to exercise of share options	3 726	-	2 872	-
Share buy back	-	(36 831)	-	(18 668)
Total comprehensive income/(loss) for the period	722 317	(703 678)	1 224 766	509 945
Dividend declared	(103 354)	(102 227)	(81 555)	(59 195)
Shareholders' equity at end of the year	2 658 065	2 015 890	1 841 074	679 136

NOTES TO THE CONDENSED FINANCIAL RESULTS For the year ended 31 March 2022

- Basis of preparation**
The condensed financial statements of African Distillers Limited have been prepared in accordance with International Financial Reporting Standards "IFRSs" and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Requirements.
- Currency of reporting**
The financial statements are presented in the Zimbabwean dollar ("ZW\$") currency which is also the functional currency of the Company.
- 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). Accordingly, the comparative figures stated in the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows and the related notes are for a 9 month period.
- 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 financial results are as follows:

	Index	Conversion Factor
31-Mar-22	4766.10	1.00
31-Mar-21	2759.83	1.73
1-Jul-20	1445.21	3.30
- Accounting policies**
Accounting policies and critical judgements are consistent with those applied in prior year. The condensed financial results should be read in conjunction with the latest annual report of the Company.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)
For the year ended 31 March 2022

1.5 Exchange rates

The Company translates transactions at the exchange rates prevailing at the time of transacting while year-end balances are translated at the closing rate being the spot rate at the end of the reporting period. The spot rate is the rate for immediate delivery of the applicable exchange foreign currency.

The Company used significant judgment in evaluating whether, conditions and circumstances reflect a lack of exchangeability which is other than temporary, between the reporting currency, the ZW\$ and transactional currencies. Lack of exchangeability exists when the Company is unable to exchange currency for immediate delivery of another currency at a specified date. The Company applied significant judgment in estimating a rate of exchange of ZW\$ to the US\$ from the time that the Company established that there is lack of exchangeability which is other than temporary, between the ZW\$ and US\$.

In determining the closing rate applied at year end, the Company considered the following inputs;

- The rate at which supplies were being charged;
- The rate at which foreign currency was obtained from sales; and
- The rate at which the Company accessed foreign currency on the foreign exchange auction trading system during the year.

1.6 Historical information

The historical financial disclosure is shown as supplementary 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 an audit opinion on the historic financial information.

2 Share buy back

The Company is holding 3 434 842 (2021: 3 434 842) of its own shares as treasury stock and no additional shares were acquired during the year.

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000	12 Months March 2022 Audited ZW\$ 000	9 Months March 2021 Audited ZW\$ 000
3 Revenue					
Gross sales		8 842 690	4 966 841	6 695 676	2 502 542
Discounts		(174 961)	(199 437)	(133 244)	(93 826)
		8 667 729	4 767 404	6 562 432	2 408 716
4 Profit before tax					
This is stated after charging/(crediting) the following items of significance:					
Depreciation		73 143	55 515	14 875	4 904
Impairment recognised on trade and other receivables		2 893	4 974	2 893	2 880
Loss on disposal of property, plant and equipment		176	1 793	35	38
Staff costs		734 146	528 079	568 363	263 710
Retirement benefit costs		49 556	29 743	37 717	14 958
Compensation of directors and key management:					
for services as directors		18 926	10 344	14 324	4 999
for management services		135 490	128 078	102 820	64 521
Other operating income:					
Sale of pallets and layer boards		29 636	9 574	23 361	4 185

5 Related party transactions

Delta Corporation Limited ("Delta") and Distell Limited (South Africa) ("Distell") each have an effective shareholding of 50,98% (2021: 50,44%) and 28,89% (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:

Distell Limited (South Africa)				
Purchase of raw materials	986 357	555 980	745 465	296 511
Purchase of finished products for sale	322 142	235 021	262 450	122 149
Purchase of property, plant and equipment and spares	33 743	5 303	21 860	2 328
Dividend payable	-	29 876	-	17 300
Royalties on finished goods produced and sold under license	179 533	97 056	139 772	14 825
	1 521 775	923 237	1 169 547	453 113
Delta Corporation Limited				
Purchase of raw materials	11 971	11 446	8 931	5 702
Dividend payable	-	29 876	-	17 300
Forklift hire	5 902	3 602	4 375	1 792
IT Costs	3 174	1 862	2 444	956
	21 047	46 787	15 750	25 750

6 Taxation

Current income tax expense	394 930	366 057	303 460	179 320
Deferred tax	35 113	(432 334)	(1 704)	(10 722)
	359 817	(66 277)	301 756	168 598

7 Cash generated from trading

Profit before taxation	1 082 134	(769 955)	1 526 522	678 543
Unrealised exchange losses	7 059	11 127	7 059	6 443
Depreciation	73 143	55 515	14 875	4 904
Loss on disposal of property, plant and equipment	176	1 793	35	38
Share option expense	17 386	6 713	13 894	3 517
Interest income	(2 056)	(815)	(1 576)	(432)
Interest expense	6 692	266	4 749	135
Net monetary loss	860 990	1 486 912	-	-
	2 045 524	(791 556)	1 565 558	693 148

8 Property, plant and equipment

Movement in the property, plant and equipment balance for the year:				
Balance at the beginning of the period		625 521	61 667	34 210
Capital expenditure	244 208	64 585	201 885	32 399
Depreciation	(73 143)	(55 515)	(14 875)	(4 904)
Disposals	(176)	(1 793)	(35)	(38)
Balance at the end of the period	803 687	632 798	248 642	61 667

9 Inventories

Finished products	587 905	406 440	460 455	171 035
Maturing spirits and wines	58 418	60 885	47 204	31 110
Raw materials	998 368	1 000 384	781 795	387 940
Allowance for obsolete Inventory	(1 310)	(5 481)	(689)	(1 538)
Inventories at end of the period	1 643 381	1 462 228	1 288 765	588 547

10 Trade and other receivables

Trade receivables	301 258	357 128	301 258	206 797
Prepayments - relating to inventory purchases#	998 995	611 073	856 952	273 379
Other receivables*	14 884	4 830	14 884	2 797
Allowance for credit losses	(7 074)	(7 220)	(7 074)	(4 181)
	1 308 063	965 811	1 166 020	478 792

* Other receivables includes sundry debtors, staff welfare loans and prepaid expenses.

Included in prepayments are balances with related parties as follows:

Distell Limited (South Africa)	165 844	90 064	105 871	1 539
11 Trade and other payables				
Trade payables - local	44 950	37 775	44 950	21 874
Trade payables - foreign	472 189	299 105	472 189	173 198
Accruals and other payables^	396 589	459 219	396 589	265 913
	913 728	796 099	913 728	460 985

^ Accruals and other payables includes leave pay provision, long service awards, accruals for statutory payments and other sundry creditors. Included in trade payables are balances with related parties as follows;

Distell Limited (South Africa)	337 069	274 525	337 069	158 965
Delta Corporation Limited	-	323	-	187

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

12 Restatement on the statement of cash flows

On the statement of cash flows for the period ended 31 March 2021, there were certain elements that were omitted and have been properly disclosed in the current year. Inflation effects on tax paid and cash and cash equivalents, and net foreign exchange effects on cash and cash equivalents were not disclosed.

On cash flows from operating activities, operating income before monetary loss and unrealised exchange losses was used instead of loss before tax. Monetary loss and unrealised exchange losses were incorrectly deducted from operating activities when they were already excluded from operating income. No further adjustments were made to add back these non-cash items.

The necessary restatements were made in the current year. The corrections did not have an impact on the statement of profit or loss and other comprehensive income and statement of financial position. The impact of the corrections is as follows;"

	INFLATION ADJUSTED		Impact of restatement ZW\$ 000
	As previously reported ZW\$ 000	As restated ZW\$ 000	
Omitted items			
Inflation effects on cash and cash equivalents	-	(1 560 579)	(1 560 579)
Net foreign exchange effects on cash and cash equivalents	-	9 111	9 111
Inflation effect on tax paid	-	53 429	53 429
Non-cash items not added back			
Monetary loss	-	1 486 912	1 486 912
Unrealised exchange losses	-	11 127	11 127
Net impact	-	-	-

13 Capital commitments

The Company has no firm capital commitments.

14 Contingent liabilities

Uncertain tax positions

There have been significant currency changes in Zimbabwe. These changes create some uncertnerities in the treatment of transactions for taxes due to the absence of clear guidelines and transitional measures. There are further complications arising from the wording of the legislation in relation to the currency of settlement of certain taxes which give rise to interpretation that may differ with those of the tax authorities, giving rise to uncertainties in tax positions. Taxable income is not directly related to the currency of trade.

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 financial statements on a going concern basis is appropriate. It is anticipated that the economy will grow in the ensuing year and with the promised stable and consistent economic policies, this will also trigger Company growth. Accessibility of foreign currency is key to smooth running of the business, and the Company has been able to access its foreign currency requirements needs from both trading and the auction system and this is also anticipated to continue in the ensuing year.

COVID-19

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 management put in place a business continuity plan that has enabled manufacturing and distribution operations to remain functional. In line with the business continuity plan, management continues to observe and implement protocols in accordance with published government and World Health Organisation guidelines. The vaccination programmes all over the world including Zimbabwe are expected to minimise the impact of COVID-19 on businesses. 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.

16 Events after the reporting period

There were no significant events after the reporting period to be reported.

17 Audit opinion

The condensed financial results should be read in conjunction with the complete set of financial statements for the year ended 31 March 2022 which have been audited by the Company's external auditors, Ernst & Young Chartered Accountants (Zimbabwe). The auditors have issued an adverse audit opinion 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 auditors' report is available for inspection at the registered office of the Company. The engagement partner responsible for this audit is Mr. Fungai Kuipa (PAAB Practising Certificate Number 335)

Independent Auditor's Report

To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the inflation adjusted financial statements of African Distillers Limited (the Company) set out on pages 16 to 53, which comprise the inflation adjusted statement of financial position as at 31 March 2022, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted financial statements do not present fairly the financial position of the Company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Adverse Opinion

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 year

Effective 1 August 2020 to 31 March 2022, 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 does 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.

The errors resultant from the use of incorrect exchange rates impact both current year and prior year numbers. The prior year errors should have been corrected retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

As a result of this matter, the following elements on the inflation adjusted financial statements, including comparatives are misstated.

Independent Auditor's Report (Continued)

African Distillers Limited

Elements for which misstatements could be quantified:

Element	31 March 2022		31 March 2021	
	Amount	Misstatement	Amount	Misstatement
Cash and cash equivalents	232,358,000	59,023,000	129,318,000	Unquantified

Elements for which misstatements could not be quantified due to the volume of transactions:

- Inventories stated at ZW\$1,643,381,000 (2021: ZW\$1,462,228,000)
- Trade and other receivables stated at ZW\$1,308,063,000 (2021: ZW\$965,811,000)
- Accumulated profit stated at ZW\$2,170,693,000 (2021: ZW\$1,548,004,000)
- Deferred taxation stated at ZW\$233,117,000 (2021: ZW\$268,230,000)
- Current income tax liability stated at ZW\$81,256,000 (2021: ZW\$126,940,000)
- Revenue stated at ZW\$8,667,729,000 (2021: ZW\$4,767,404,000)
- Cost of sales stated at ZW\$4,583,857,000 (2021: ZW\$3,107,206,000)
- Other operating expenses stated at ZW\$1,471,833,000 (2021: ZW\$800,955,000)
- Net exchange gains/ (losses) stated at ZW\$285,328,000 (2021: ZW\$36,723,000)
- Taxation stated at ZW\$359,817,000 (ZW\$66,277,000)

Elements for which misstatements could not be quantified due to volume of transactions but only current year amounts are misstated:

- Distribution costs stated at ZW\$200,973,000
- Administrative expenses stated at ZW\$207,614,000

Consequently, the 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 Net Monetary losses of ZW\$860,990,000 (2021: ZW\$1,486,912,000) on the 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 inflation adjusted financial statements.

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 Inflation adjusted 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 (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other 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.

Independent Auditor's Report (Continued)

African Distillers Limited

Other Matter

The inflation adjusted financial statements of the prior period were audited by another auditor, and an unmodified audit opinion was issued. The audit opinion for the year ended 31 March 2021 is dated 10 June 2021.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

Other information consists of the Company Profile, Financial Highlights, Chairman's Statement, Review of Operations, Directors' Report, Corporate Governance, Directors' Responsibility Statement and the Supplementary Information. Other information does not include the inflation adjusted financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the inflation adjusted 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 inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted 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 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. We have nothing to report in this regard. As described in the Basis for Adverse Opinion section above, the Company did not comply with the requirements of IAS 21 and IAS 8 and there is a consequential impact on IAS 29 application. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Other Information affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Inflation adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted financial statements 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 inflation adjusted financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report (Continued)

African Distillers Limited

- ▶ Identify and assess the risks of material misstatement of the inflation adjusted 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 inflation adjusted 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 inflation adjusted financial statements, including the disclosures, and whether the inflation adjusted 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted financial statements of the current year 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 Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

17 May 2022

