



AFRICAN DISTILLERS LIMITED

(Incorporated in Zimbabwe)

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

	INFLATION ADJUSTED		HISTORIC COST	
	2023	2022	2023	2022
	ZW\$	ZW\$	ZW\$	ZW\$
Revenue - billions	41.0	26.3	34.2	6.6
Operating income - billions	5.4	4.7	7.5	1.8
Net cash funds on hand - millions	318.4	450.8	318.4	148.2
Earnings per share - cent	1 318	1 894	4 036	1 056
Government taxes remitted - billions	13.5	8.8	11.4	2.2
Dividend declared per share - Interim	USD0.0025		USD0.0025	ZW\$0.70
			Final USD0.0050	USD0.0030

CHAIRMAN'S STATEMENT

Overview

The operating environment was complex and uncertain, characterised by high inflation, high interest rates, and increased power supply outages. Measures introduced by the government to reduce ZW\$ liquidity resulted in relatively stable foreign exchange rates except at the tail end of the year where accelerated depreciation was witnessed resulting in increased value chain costs. The market witnessed an increased US\$ transaction flow which helped in sustaining the Company's working capital requirements.

Acquisition of Distell Ltd by Heinken BV

The acquisition of a major shareholder and partner, Distell Ltd by Heineken BV has been approved and implemented with effect from 26 April 2023. The Company continues to receive support from Distell in line with the existing franchise and technical arrangements. It is anticipated that no adverse changes will arise from the acquisition.

Estimated Consumer Price Indices (CPIs)

Due to the absence of official general price indices in February and March 2023 following the promulgation of Statutory Instrument 27 of 2023 on 3 March 2023, the Directors have estimated CPIs for these two months. The estimated CPI is based on the exchange rate movement. This is an area of significant estimation uncertainty and relevant disclosures have been made in Note 4.7 to the complete set of the financial statements.

Trading Summary

Volume growth was strong at 18% above prior year mainly driven by Ready to drink ("RTD") segment which grew by 23%. Wines and Spirits volumes grew by 16% and 14% respectively. The increase in volume was due to improved product availability, increased market penetration and promotional activity.

Financial Performance

In inflation adjusted terms, revenue increased by 56% to ZW\$41 billion whilst operating income increased by 15% to ZW\$5.4 billion. In historical cost terms, revenue increased by 418% to ZW\$34.2 billion whilst operating income increased by 316% to ZW\$7.5 billion. Revenue growth was driven by increased volume. Cost containment measures were in place over the period, however, cost pressures were experienced in distribution, fuel and power, payroll and maintenance.

In order to give context to the financial results, the Board estimates that, in United States dollars terms, revenue increased by 15% to US\$49.4 million and operating income was at US\$8.5 million. Users need to exercise caution when using these US\$ figures given the challenges in determining the US\$ numbers in the current environment.

Future Prospects

The trading environment is envisaged to remain challenging and uncertain, however, it is also anticipated that there will be opportunities for business growth. The Company will continue leveraging on ensuring full product availability, market share protection and brand portfolio expansion for business growth. Focus will also be on production efficiencies and cost containment initiatives.

Dividend

The board has recommended a final dividend of US\$0.0050 per share, amounting to US\$ 593,137. An interim dividend of US\$0.0025 per share was paid in December 2022 bringing the total dividend to US\$ 0.0075 per share.

M M Valela
Chairman

DIVIDEND DECLARATION

Notice is hereby given that the Board of Directors declared a final dividend, number 95, of US\$0.0050 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 2023.

FINAL DIVIDEND

Dividend Number	95
Announcement Date	12 May 2023
Record Date	26 May 2023
Last Date to Trade	22 May 2023
Ex-Dividend Date	23 May 2023
Payment Date	26 June 2023
Dividend Amount	US\$593 137
Dividend per Share	US\$0.0050

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 2023

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		March 2023 Audited ZW\$ 000	Restated* March 2022 Audited ZW\$ 000	March 2023 Supplementary ZW\$ 000	March 2022 Supplementary ZW\$ 000
Revenue	3	41 005 939	26 371 578	34 194 079	6 562 432
Cost of sales		(26 051 300)	(16 015 141)	(18 740 385)	(3 387 717)
Gross profit		14 954 639	10 356 437	15 453 694	3 174 715
Other operating income		166 347	90 168	146 735	23 361
Distribution costs		(1 304 486)	(611 461)	(1 106 145)	(154 097)
Administrative expenses		(1 031 658)	(631 666)	(866 031)	(161 512)
Other operating expenses		(7 385 948)	(4 478 054)	(6 175 723)	(1 116 142)
Operating income		5 398 894	4 725 424	7 452 530	1 766 325
Interest income		3 195	6 255	2 382	1 576
Interest expense		(609 091)	(20 360)	(550 730)	(4 749)
Net exchange loss		(573 961)	(868 111)	(720 779)	(236 630)
Net monetary loss		(531 300)	(550 813)	-	-
Profit before taxation	4	3 687 737	3 292 395	6 183 403	1 526 522
Taxation	6	(2 136 268)	(1 094 744)	(1 433 893)	(301 756)
Profit for the period		1 551 469	2 197 651	4 749 510	1 224 766
Other comprehensive income		-	-	-	-
Total comprehensive income		1 551 469	2 197 651	4 749 510	1 224 766
Earnings per share (Cents) :					
Basic		1 318.24	1 894.13	4 035.53	1 055.61
Headline		1 305.57	1 894.59	4 024.65	1 055.64
Diluted		1 293.45	1 801.23	3 959.64	1 003.84

*Note 13

INFLATION ADJUSTED

HISTORIC COST

Notes	March 2023 Audited ZW\$ 000	March 2022 Audited ZW\$ 000	March 2023 Supplementary ZW\$ 000	March 2022 Supplementary ZW\$ 000
	CONDENSED STATEMENT OF FINANCIAL POSITION As at 31 March 2023			
ASSETS				
Non-current assets				
Property, plant and equipment	8	3 351 931	2 445 219	1 161 223
Long term loans receivable		61 367	69 579	61 367
Deferred taxation		-	-	256 597
		3 413 298	2 514 798	1 479 187
Current assets				
Inventories	9	11 162 674	4 999 989	9 748 671
Trade and other receivables	10	5 912 444	3 979 781	5 617 869
Cash and cash equivalents		1 866 658	706 950	1 866 658
		18 941 776	9 686 720	17 233 198
Total assets		22 355 074	12 201 518	18 712 385
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		222 865	222 854	1 187
Share premium		973 879	969 292	14 998
Share option reserve		312 488	290 684	52 942
Non-distributable reserve		-	-	5 361
Accumulated profit		7 703 820	6 604 335	6 160 137
Total capital and reserves		9 213 052	8 087 165	6 234 625
Non-current liabilities				
Deferred taxation		664 262	709 259	-
Current liabilities				
Trade and other payables	11	7 521 719	2 780 019	7 521 719
Current tax liability		1 211 059	247 221	1 211 059
Short-term borrowings	12	3 744 982	377 854	3 744 982
		12 477 760	3 405 094	12 477 760
Total liabilities		13 142 022	4 114 353	12 477 760
Total equity and liabilities		22 355 074	12 201 518	18 712 385
Ordinary shares in issue (Actual) (millions)		122	121	122
Ordinary shares in issue (Weighted average) (millions)		118	116	118
Current ratio (: 1)		2	3	1
Shareholders' equity per share (Cents)		7 548	6 687	5 108
Middle market price (Cents)		29 859	23 110	29 859

CONDENSED STATEMENT OF CASH FLOWS For the year ended 31 March 2023

Cash flows from operating activities				
Cash generated from trading after non-cash items	7	5 556 699	4 154 760	7 226 104
Changes in working capital		(2 970 515)	(923 548)	(6 972 860)
Cash generated from operations		2 586 184	3 231 212	253 244
Interest received		3 195	6 255	2 832
Interest paid		(609 091)	(20 360)	(550 730)
Income tax paid		(786 027)	(1 214 244)	(559 091)
Net cash flows generated from operating activities		1 194 261	2 002 863	(854 195)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1 220 549)	(743 003)	(995 100)
Proceeds on disposal of property, plant and equipment		18 425	-	12 839
Increase in long-term loans receivable		(222 148)	(96 119)	(170 126)
Proceeds from repayment of long-term loans receivable		141 702	78 274	131 628
Net cash flows utilised in investing activities		(1 282 570)	(760 848)	(1 020 759)
Cash flows from financing activities				
Proceeds from exercise of share options		4 598	17 725	4 487
Dividend paid to owners of the Company		(483 401)	(625 480)	(401 986)
Proceeds from short-term borrowings		7 391 040	121 700	6 489 646
Repayment of short term borrowings		(4 762 826)	-	(4 332 930)
Net cash flows generated from / (utilised) in financing activities		2 149 411	(486 055)	1 759 217
Net movement in cash and cash equivalents		2 061 102	755 960	(115 737)
Net foreign exchange difference		391 989	133 560	285 963
Inflation effect on cash and cash equivalents		(2 585 495)	(832 174)	-
Cash and cash equivalents at beginning of the period		450 796	393 450	148 166
Cash and cash equivalents at end of the period		318 392	450 796	318 392
Comprising:-				
Bank balances and cash		1 866 658	706 950	1 866 658
Bank overdraft		(1 548 266)	(256 154)	(1 548 266)
		318 392	450 796	318 392

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the year ended 31 March 2023

Shareholders' equity at beginning of the year	8 087 165	6 133 348	1 841 074	679 136
Changes in issued share capital				
Share options exercised	11	94	11	26
Changes in share premium				
Share options exercised	4 587	17 631	4 476	4 807
Changes in share option reserve				
Share based payment	53 221	52 897	41 540	13 894
Transfer from share option reserve due to exercise of share options	(31 417)	(11 336)	(5 692)	(2 872)
Changes in distributable reserves				
Transfer from share option reserve due to exercise of share options	31 417	11 366	5 692	2 872
Total comprehensive income for the period	1 551 469	2 197 650	4 749 510	1 224 766
Dividend paid	(483 401)	(314 455)	(401 986)	(81 555)
Shareholders' equity at end of the year	9 213 052	8 087 165	6 234 625	1 841 074

NOTES TO THE CONDENSED FINANCIAL RESULTS For the year ended 31 March 2023

- 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.
- 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 except the last two months which were estimated by the Directors in consultation with an Economist.

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

	Index	Conversion Factor
31-Mar-23	14 500.86	1.00
31-Mar-22	4 766.10	3.04
31-Mar-21	2 759.83	5.25
- 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.
- 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\$ from the time that the Company established that there is lack of exchangeability which is other than temporary between the ZW\$ and US\$

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)
For the year ended 31 March 2023

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.

1.5 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 (2022: 3 434 842) of its own shares as treasury stock and no additional shares were acquired during the year.

Notes	INFLATION ADJUSTED		HISTORIC COST	
	March 2023 Audited ZW\$ 000	March 2022 Audited ZW\$ 000	March 2023 Supplementary ZW\$ 000	March 2022 Supplementary ZW\$ 000
3 Revenue				
Gross sales	42 370 093	26 903 897	35 375 265	6 695 676
Discounts	(1 364 154)	(532 319)	(1 181 186)	(133 244)
	<u>41 005 939</u>	<u>26 371 578</u>	<u>34 194 079</u>	<u>6 562 432</u>
4 Profit before tax				
This is stated after charging/(crediting) the following items of significance:				
Depreciation	310 325	222 538	82 488	14 875
Impairment recognised on trade and other receivables	30 825	8 802	30 825	2 893
Royalties	935 045	563 934	783 683	139 772
Staff costs	5 335 054	2 233 640	4 431 071	568 363
Retirement benefit costs	253 745	150 774	214 717	37 717
Compensation of directors and key management: for services as directors	63 601	57 582	51 359	14 324
for management services	824 963	463 050	689 711	119 914
	<u>888 564</u>	<u>520 633</u>	<u>741 070</u>	<u>134 238</u>
Other operating income:				
Sale of pallets and layer boards	151 433	90 168	133 928	23 361
(Profit)/Loss on disposal of property, plant and equipment	(14 914)	535	(12 807)	35
5 Related party transactions				
Delta Corporation Limited ("Delta") and Distell Limited (South Africa) ("Distell") each have an effective shareholding of 51.14% (2022: 50.98%) and 29.45% (2022:28.89%) 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	1 563 528	3 000 994	1 329 770	745 465
Purchase of finished products for sale	1 895 867	980 117	1 728 003	262 450
Purchase of property, plant and equipment and spares	29 561	102 663	21 791	21 860
Royalties on finished goods produced and sold under license	831 107	546 229	695 320	139 772
	<u>4 320 063</u>	<u>4 630 004</u>	<u>3 774 884</u>	<u>1 169 547</u>
Delta Corporation Limited				
Purchase of raw materials	60 281	36 422	54 420	8 931
Forklift hire	-	17 957	-	4 375
IT Costs	49 649	9 657	44 476	2 444
	<u>109 930</u>	<u>64 036</u>	<u>98 896</u>	<u>15 750</u>
6 Taxation				
Current income tax expense	2 181 265	1 201 575	1 688 894	303 460
Deferred tax	(44 997)	(106 831)	(255 001)	(1 704)
	<u>2 136 268</u>	<u>1 094 744</u>	<u>1 433 893</u>	<u>301 756</u>
7 Cash generated from trading				
Profit before taxation	3 687 737	3 292 395	6 183 403	1 526 522
Depreciation	310 326	222 538	82 488	14 875
(Profit)/Loss on disposal of property, plant and equipment	(14 914)	535	(12 807)	35
Share option expense	53 221	52 897	41 539	13 894
Interest income	(3 195)	(6 255)	(2 382)	(1 576)
Interest expense	609 091	20 360	550 730	4 749
Unrealised exchange losses	383 133	21 477	383 133	7 059
Net monetary loss	531 300	550 813		
	<u>5 556 699</u>	<u>4 154 760</u>	<u>7 226 104</u>	<u>1 565 558</u>
8 Property, plant and equipment				
Movement in the property, plant and equipment balance for the year:				
Balance at the beginning of the period	2 445 219	1 925 289	248 642	61 667
Capital expenditure	1 220 549	743 003	995 100	201 885
Depreciation	(310 326)	(222 538)	(82 488)	(14 875)
Disposals	(3 511)	(535)	(31)	(35)
Balance at the end of the period	<u>3 351 931</u>	<u>2 445 219</u>	<u>1 161 223</u>	<u>248 642</u>
9 Inventories				
Finished products	3 609 265	1 788 702	2 992 203	460 455
Maturing spirits and wines	273 141	177 737	195 906	47 204
Raw materials	7 284 254	3 037 536	6 561 251	781 795
Allowance for obsolete Inventory	(3 986)	(3 986)	(689)	(689)
Inventories at end of the period	<u>11 162 674</u>	<u>4 999 989</u>	<u>9 748 671</u>	<u>1 288 765</u>
10 Trade and other receivables				
Trade receivables	2 242 578	916 577	2 242 578	301 258
Prepayments - relating to inventory purchases#	3 701 125	3 039 442	3 406 550	856 952
Other receivables*	6 640	45 285	6 640	14 884
Allowance for credit losses	(37 899)	(21 523)	(37 899)	(7 074)
	<u>5 912 444</u>	<u>3 979 781</u>	<u>5 617 869</u>	<u>1 166 020</u>
* Other receivables includes sundry debtors, staff welfare loans.				
# Included in prepayments are balances with related parties as follows:				
Distell Limited (South Africa)	155 990	504 581	876	105 871
11 Trade and other payables				
Trade payables - local	489 736	136 760	489 736	44 950
Trade payables - foreign	4 309 865	1 436 636	4 309 865	472 189
Accruals and other payables ^	2 722 118	1 206 623	2 722 118	396 589
	<u>7 521 719</u>	<u>2 780 019</u>	<u>7 521 719</u>	<u>913 728</u>
^ 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)	3 098 850	1 025 533	3 098 850	337 069
The average credit period on local purchases is 7 days while the average credit period for foreign purchases is more than 90 days.				
12 Short-term borrowings				
Short-term borrowings comprise of;				
Short-term loans	2 196 716	121 700	2 196 716	40 000
Bank Overdraft	1 548 266	256 154	1 548 266	84 192
	<u>3 744 982</u>	<u>377 854</u>	<u>3 744 982</u>	<u>124 192</u>
Short term loans include US\$600 thousand unsecured loan at 8.5% interest from Delta with a six-month tenure and bank loans at 12 month tenure. The company also has the following facilities with the banks: US\$1 million overdraft at 10% interest and ZW\$1.4 billion overdraft at 100% interest.				
13 Restatement of prior year financial statements: Inflation adjusted cost of sales				
(IAS29) Financial Reporting in Hyperinflationary Economies (IAS29) requires all items in the statement of comprehensive income to be presented in terms of the measuring unit current at the end of the reporting period, by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.				
In the prior year, the Company used the direct method instead of the indirect method to adjust 'cost of sales' for hyperinflation. In terms of the direct method, monthly inflation indices are used to adjust the historical monthly 'cost of sales' expense. In the current year, management has reviewed the use of the direct method in respect of cost of sales.				
After due consideration, the Company has revised its approach and retrospectively applied the indirect method to hyperinflate 'cost of sales'. In terms of the indirect method, each component used to determine the 'cost of sales' expense (opening stock, production costs and closing stock) is adjusted for hyperinflation separately rather than adjusting 'cost of sales' as a whole. The use of the indirect method aligns the method used to adjust 'cost of sales' with that used for 'depreciation' and improves the relationship between the inflation adjustments applied to the statement of financial position and those applied to the statement of profit and loss and other comprehensive income. This revision has resulted in a restatement of amounts in the statement of comprehensive income between 'Cost of sales' and 'Net monetary loss' with effect from 1 April 2021. While Operating income has decreased, there has been no impact on profit before tax, taxation, total earnings per share (basic and diluted), the statement of financial position or the statement of cash flows				
Impact of change in determination of inflation adjusted cost of sales on the Company's statement of financial position				
The change in the determination of inflation adjusted cost of sales had no impact on the Company's statement of financial position.				
Impact of change in determination of inflation adjusted cost of sales on the Company's statement of profit or loss and other comprehensive income				
			Year ended 31 March 2022	
			ZW\$'000	
Increase in cost of sale			2 068 750	
Decrease in net monetary loss			(2 068 750)	
Effect on profit before tax			-	
Effect on tax expense			-	
Change in profit for the year			-	
Effect on basic, headline and diluted earnings per share (ZW\$ cents)			-	
14 Capital commitments				
The Company has no firm capital commitments.				
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 positively 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 financial sector and this is also anticipated to continue in the ensuing year.				
16 Events after the reporting period				
The acquisition of a major shareholder and partner, Distell Ltd by Heineken BV has been approved and implemented with effect from 26 April 2023. The Company continues to receive support from Distell in line with the existing franchise and technical arrangements. It is anticipated that no adverse changes will arise from the acquisition.				
17 Auditor's Statement				
The condensed financial results should be read in conjunction with the complete set of financial statements for the year ended 31 March 2023 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 and International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the consequential impact on International Accounting Standard 29; "Financial Reporting in Hyper inflationary Economies".				
The auditor's 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).				



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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 56, which comprise the Inflation Adjusted Statement of Financial Position as at 31 March 2023, 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 2023, 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 2023, 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 is inappropriate for financial reporting as it does not meet the definition of a spot rate as the rate is not accessible through a legal exchange mechanism. We believe that management should have applied the auction exchange rate and/or the Willing-Buyer-Willing-Seller (WBWS) exchange rate as determined by the interbank market, as either one of these two rates 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 no retrospective adjustments in terms of IAS 8 have been made, the corresponding amount for Trade and other receivables on the Inflation Adjusted Statement of Financial Position is materially misstated. Our audit report is therefore modified due to possible impact of this matter on comparability of the prior period and current period amounts. Our prior year audit report was also modified due to this matter.

Independent Auditor's Report (Continued)

African Distillers Limited

Additionally, the following current year and prior year elements are impacted due to the continuing matter:

- a) Virtually all Inflation Adjusted Statement of Profit or Loss and Other Comprehensive Income items are materially misstated except for other income, Interest income and Interest expense.
- b) The Inflation Adjusted Statement of Financial Position items that are affected are as follows:
 - i. Elements for which misstatements could be quantified

Element	31 March 2023		31 March 2022	
	Amount	Misstatement	Amount	Misstatement
Trade and other Payables	ZW\$7,521,719,000	ZW\$4,503,564,111	Not applicable	Not applicable
Cash and cash equivalents	ZW\$1,866,658,000	ZW\$64,551,859	ZW\$706,950,000	ZW\$50,394,290

- ii. Elements for which misstatements could not be quantified in the current year due to the volume of transactions:
 - Inventories stated at ZW\$11,162,674,000 (2022:ZW\$4,999,989,000)
 - Accumulated profit stated at ZW\$7,703,820,000 (2022:ZW\$6,604,335,000)
 - Deferred taxation stated at ZW\$664,262,000 (2022:ZW\$709,259,000)
 - Current income tax liability stated at ZW\$1,211,059,000 (2022: ZW\$247,221,000)

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 loss of ZW\$531,300,000 (31 March 2022: ZW\$550,813,000) 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 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

Key Audit Matter

Except for the matters describe 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 information included in the Company's 2023 Annual Report other than the Inflation Adjusted Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Inflation Adjusted Financial Statements does not cover the other information and we do not express 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Company did not comply with the requirements of IAS 21, IAS 8 and the consequential impact on IAS 29. We have concluded that the other information is materially misstated for the same reasons.

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:

- ▶ 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.

Independent Auditor's Report (Continued)

African Distillers Limited

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

11 May 2023

