



AFRICAN DISTILLERS LIMITED REVIEWED FINANCIAL INFORMATION

For the half year ended 30 September 2023

Financial Highlights

	INFLATION ADJUSTED		HISTORIC COST	
	September 2023 ZW\$	September 2022 ZW\$	September 2023 ZW\$	September 2022 ZW\$
Revenue - billions	134.0	52.3	109.5	11.4
Operating income - billions	28.3	6.9	31.5	2.7
Earnings per share - cents	18 882	1 750	18 000	1 960
Government taxes remitted - billions	45.7	14.1	38.4	3.1

CHAIRMAN'S STATEMENT

Overview

The operating environment under review was characterised by an unstable exchange rate and high inflation particularly in the first quarter while the second quarter had relative price stability and tight ZW\$ liquidity. Consumer demand was negatively impacted by currency induced pricing distortions in the formal retail channel. The informal trade benefitted from the stable and competitive pricing in US Dollars. Consumer spending was also spurred by the election related activities.

Volume performance

The Company recorded a volume growth of 11% above prior year benefitting from good product availability across all key brands, intensified product distribution and brand innovation. Spirits category grew by 8% leveraging on the premiumisation of the Whitestone brand and firm demand on the affordable range. Wine volume grew by 7% driven by increased market penetration in the second quarter. Ready to Drink ("RTD") segment registered a growth of 14% despite competition from lower priced smuggled imports.

Financial performance

In inflation adjusted terms, revenue increased by 156% to ZW\$ 134 billion whilst operating income increased by 311% to ZW\$ 28.3 billion. In historic cost terms, revenue increased by 861% to ZW\$ 109.5 billion whilst operating income increased by 1063% to ZW\$ 31.5 billion. In USD Turnover for the half year was at USD 25.7 million. Revenue growth in both inflation adjusted and historical terms was driven by the higher volume, favourable sales mix, and replacement cost-based pricing while operating profit increased due to volume growth and strict cost containment measures.

Future prospects

The Company welcomes the efforts of the authorities to stabilise the economy and remains hopeful that the current stability in exchange rates and inflation can be sustained. Management continues to focus on supplying its full range of products to the market, identifying opportunities to grow, defend market share and improve profitability through product innovation, production efficiencies and cost control.

Dividend

The board has recommended an interim dividend of US\$ 0.0030 per share, amounting to US\$ 355,882.

M M Valela
Chairman

DIVIDEND DECLARATION

Notice is hereby given that the Board of Directors declared a final dividend, number 96, of US\$ 0.0030 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 2023.

	FINAL DIVIDEND
Dividend Number	96
Announcement Date	05 November 2023
Record Date	17 November 2023
Last Date to Trade	14 November 2023
Ex-Dividend Date	15 November 2023
Payment Date	08 December 2023
Dividend Amount	US\$355 882
Dividend per Share	US\$0.0030

By order of the Board

L Mutamuko
Company Secretary

Reviewed Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 September 2023

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		September 2023 Reviewed ZW\$000	September 2022 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	September 2022 Supplementary Information ZW\$000
Revenue	3	134 000 584	52 346 763	109 458 730	11 388 762
Cost of sales		(65 545 437)	(30 895 573)	(45 439 060)	(5 503 116)
Gross profit		68 455 147	21 451 190	64 019 670	5 885 646
Other income		535 158	169 637	373 418	40 259
Distribution costs		(4 872 083)	(1 525 054)	(4 044 381)	(333 292)
Administrative expenses		(2 772 736)	(1 311 942)	(2 319 148)	(303 353)
Other operating expenses		(33 023 701)	(11 891 326)	(26 572 012)	(2 585 426)
Operating income		28 321 785	6 892 505	31 457 547	2 703 834
Interest income		8 928	5 998	7 376	1 197
Interest expense		(1 559 012)	(428 666)	(1 217 116)	(105 073)
Net exchange gains/(losses)		(5 886 371)	1 270 362	(4 098 593)	266 642
Net monetary gain/(loss)		11 996 547	(1 288 640)	—	—
Profit before taxation	4	32 881 877	6 451 559	26 149 214	2 866 600
Tax	6	(10 504 818)	(4 395 478)	(4 795 741)	(563 364)
Profit for the period		22 377 059	2 056 081	21 353 473	2 303 236
Other comprehensive income		—	—	—	—
Total comprehensive income		22 377 059	2 056 081	21 353 473	2 303 236
Earnings per share (Cents):					
Basic		18 882	1 750	18 000	1 960
Headline		18 882	2 107	18 000	1 982
Diluted		18 331	1 659	17 475	1 858

Reviewed Condensed Interim Statement of Financial Position

As at 30 September 2023

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		September 2023 Reviewed ZW\$000	March 2023 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	March 2023 Supplementary Information ZW\$000
ASSETS					
Non-current assets					
Property, plant and equipment	7	11 180 674	10 337 405	2 595 694	1 161 223
Long term loans receivable		512 493	189 257	512 493	61 367
Deferred taxation		—	—	—	256 597
		11 693 167	10 526 662	3 108 187	1 479 187
Current assets					
Inventories	8	59 348 940	34 425 854	39 916 017	9 748 671
Trade and other receivables	9	30 623 023	18 234 066	27 943 405	5 617 869
Cash and cash equivalents		5 310 002	5 756 801	5 310 002	1 866 658
Current tax asset	13	468 718	—	468 718	—
		95 750 683	58 416 721	73 638 142	17 233 198
Total assets		107 443 850	68 943 383	76 746 329	18 712 385
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital		687 325	687 325	1 187	1 187
Share premium		3 003 462	3 003 462	14 998	14 998
Share option reserve		1 239 327	963 718	95 560	52 942
Non-distributable reserve		—	—	5 361	5 361
Accumulated profit		41 769 391	23 758 685	23 343 519	6 160 137
Total capital and reserves		46 699 505	28 413 190	23 460 625	6 234 625
Non-current liabilities					
Deferred taxation		9 336 425	2 048 594	1 877 784	—
Current liabilities					
Trade and other payables	10	29 076 336	23 197 094	29 076 336	7 521 719
Current tax liability		147 947	3 734 924	147 947	1 211 059
Short-term borrowings	11	22 183 637	11 549 581	22 183 637	3 744 982
		51 407 920	38 481 599	51 407 920	12 477 760
Total liabilities		60 744 345	40 530 193	53 285 704	12 477 760
Total equity and liabilities		107 443 850	68 943 383	76 746 329	18 712 385
Ordinary shares in issue (Actual) (millions)		122	122	122	122
Ordinary shares in issue (Weighted average) (millions)		119	118	119	118
Current ratio (:1)		2	2	1	1
Shareholders' equity per share (Cents)		38 278	23 278	19 230	3 329
Middle market price (Cents)		173 926	29 859	173 926	29 859

Reviewed Condensed Interim Statement of Cash Flows

For the half year ended 30 September 2023

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		September 2023 Reviewed ZW\$000	September 2022 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	September 2022 Supplementary Information ZW\$000
Cash flow from operating activities					
Cash generated from trading after non-cash items	12	16 841 413	11 478 454	18 175 860	3 100 530
Changes in working capital		(25 686 122)	(399 096)	(25 191 583)	(1 222 704)
Cash flows (utilised in)/generated from operations		(8 844 709)	11 079 358	(7 015 723)	1 877 826
Interest received		8 928	5 998	7 376	1 197
Interest paid		(1 559 012)	(428 666)	(1 217 116)	(105 073)
Income tax paid		(6 828 650)	(1 830 647)	(4 193 191)	(377 643)
Net cash flows (utilised in)/generated from operating activities		(17 223 443)	8 826 043	(12 418 654)	1 396 307
Cash flows from investing activities					
Purchase of property, plant and equipment		(1 633 121)	(2 510 029)	(1 547 839)	(604 960)
Increase in long-term loans receivable		(1 127 474)	(166 658)	(724 740)	(40 742)
Proceeds from repayment of long-term loans receivable		425 658	85 149	273 613	16 365
Net cash flows utilised in investing activities		(2 334 937)	(2 591 538)	(1 998 966)	(629 337)
Cash flows from financing activities					
Dividends paid to owners of the Company		(4 366 353)	(233 364)	(4 170 091)	(57 050)
Proceeds from short term loans		66 704 292	—	42 877 506	—
Repayment of short term loans		(42 020 177)	—	(27 010 562)	—
Net cash flows generated from/(utilised in) financing activities		20 317 762	(233 364)	11 696 853	(57 050)
Net movement in cash and cash equivalents		759 382	6 001 141	(2 720 767)	709 920
Net foreign exchange difference		3 592 401	(291 198)	3 592 401	(55 966)
Inflation effect on cash and cash equivalents		(4 143 682)	(4 043 974)	—	—
Cash and cash equivalents at beginning of the period		981 925	1 014 936	318 392	108 166
Cash and cash equivalents at end of the period		1 190 026	2 680 905	1 190 026	762 120
Comprising:-					
Bank balances and cash		5 310 002	5 415 849	5 310 002	1 539 602
Bank overdraft		(4 119 976)	(2 734 944)	(4 119 976)	(777 482)
		1 190 026	2 680 905	1 190 026	762 120





AFRICAN DISTILLERS LIMITED REVIEWED FINANCIAL INFORMATION

For the half year ended 30 September 2023

Reviewed Condensed Interim Statement of Changes In Shareholders' Equity For the half year ended 30 September 2023

	INFLATION ADJUSTED		HISTORIC COST	
	September 2023 Reviewed ZW\$000	September 2022 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	September 2022 Supplementary Information ZW\$000
Shareholders' equity at beginning of the period	28 413 190	24 940 929	6 234 625	1 841 074
Changes in issued share capital				
Exercise of share options	—	—	—	—
Changes in share premium				
Exercise of share options	—	—	—	—
Changes in share option reserve				
Recognition of share based payments expense	275 609	82 715	42 618	16 189
Transfer from share option reserve due to exercise of share options	—	—	—	—
Changes in accumulated profit				
Transfer from share option reserve due to exercise of share options	—	—	—	—
Total comprehensive income for the period	22 377 059	2 056 081	21 353 473	2 303 236
Dividend declared	(4 366 353)	(849 520)	(4 170 091)	(232 209)
Shareholders' equity at end of the period	46 699 505	26 230 205	23 460 625	3 928 290

Notes to the Reviewed Condensed Interim Financial Results For the half year ended 30 September 2023

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 financial statements of the Company are presented in Zimbabwean dollars. They have been prepared under the inflation-adjusted accounting basis in line with the provisions of International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29), hence the historical cost information has been restated for changes in the general purchasing power of the Zimbabwe Dollar and appropriate adjustments and reclassifications have been made. Accordingly, the inflation-adjusted financial statements represent the primary financial statements of the Company. The historical cost financial statements have been provided by way of supplementary information.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date and that corresponding figures for previous periods be stated in the same terms as the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from estimated CPIs obtained from movement of the Total Consumption Poverty Line (TCPL) published by the Zimbabwe Statistical Agency (ZIMSTAT).

TCPL has been used to estimate inflation for the current period because research conducted by the Institute of Chartered Accountants of Zimbabwe (ICAZ) has indicated that there is a 99% correlation between TCPL and Consumer Price Index (CPI). The use of TCPL data also allows for comparability of the Company's financial results with other players in the market who have adopted the same inflation benchmark in Zimbabwe.

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

	Index	Conversion Factor
30-Sep-23	44 721	1.00
31-Mar-23	14 501	3.08
30-Sep-22	12 713	3.52
31-Mar-22	4 766	9.38

CPI Sensitivity

The analysis below seeks to demonstrate the sensitivity of the estimated CPI to some key financial statement line items.

	Estimated CPI
30-Sep-23	44 721
31-Mar-23	14 501
Average CPI September 2023	35 152

Effect on key financial statement line items

	Effect of 10% increase in CPI	Effect of 10% decrease in CPI
	Reviewed Inflation adjusted 2023	Reviewed Inflation adjusted 2023
Profit for the period	2 412 806	(2 412 806)
Total equity	4 845 050	(4 845 050)

Management has determined that the change in the inflation measurement technique, that is, use of estimated CPIs in February to September 2023 constitute a change in accounting estimate, rather than a prior period error. The effect on the change in future periods is not disclosed because it is impractical to determine an estimate for the future inflation under volatile and hyperinflationary conditions. This increases the estimation uncertainty in objectively evaluating information about those measurements. It is reasonably possible, on the basis of existing knowledge that outcomes within the next financial year will be materially different from the current forecasts and assumptions could require a material adjustment to the carrying amount of the assets or liabilities affected.

1.2 Accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2023, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Company.

1.3 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 a review conclusion 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. No additional shares were acquired during the period.

Notes to the Reviewed Condensed Interim Financial Results For the half year ended 30 September 2023

	INFLATION ADJUSTED		HISTORIC COST	
	September 2023 Reviewed ZW\$000	March 2023 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	March 2023 Supplementary Information ZW\$000
3 Revenue				
Spirits	80 857 548	29 897 125	66 087 040	6 490 969
Ready-to-drink (RTDs)	47 139 169	19 764 287	38 528 106	4 376 574
Wines	8 719 857	4 081 630	7 126 973	847 331
(Discounts)	(2 715 990)	(1 396 278)	(2 283 389)	(326 112)
	134 000 584	52 346 763	109 458 730	11 388 762
All revenue is recognised at a point in time.				
4 Profit before tax				
This is stated after charging the following items of significance:				
Depreciation	789 065	419 334	113 319	26 016
Staff costs	20 909 333	7 567 534	17 302 741	1 669 687
Loss on disposal of property, plant and equipment	787	602	49	3
5 Related party transactions				

Delta Corporation Limited ("Delta") and Heineken Beverages ("Heineken")/Distell Ltd each have an effective shareholding of 51.14% (September 2022: 50.98%) and 28.35% (September 2022: 28.61%) in the Company. Effective 26 April 2023, Heineken BV acquired the Company's major shareholder and partner, Distell Ltd. This resulted in dissolution of Distell Ltd and the formation of Heineken Beverages, a company created by merger of Heineken South African unit, Distell and Namibia Breweries. Consequently, Distell Ltd's shareholding in the Company was transferred to Heineken Beverages effective 26 April 2023.

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 ADJUSTED		HISTORIC COST	
	September 2023 Reviewed ZW\$000	September 2022 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	September 2022 Supplementary Information ZW\$000
Heineken Beverages ("Heineken")/Distell Ltd				
Purchase of raw materials	3 014 886	3 293 448	2 448 119	623 075
Purchase of finished products for sale	2 619 840	1 312 459	1 820 678	240 527
Purchase of property, plant and equipment and spares	145 495	109 242	110 660	20 830
Royalties on finished goods produced and sold under license	3 200 604	1 420 561	2 593 021	264 408
	8 980 825	6 135 710	6 972 478	1 148 840
Delta Corporation Limited				
Purchase of raw materials	—	65 250	—	12 420
IT Costs	219 174	68 933	189 493	13 096
	219 174	134 182	189 493	25 516
6 Taxation				
Current income tax expense	3 216 988	2 595 063	2 661 361	539 259
Deferred tax	7 287 830	1 800 416	2 134 380	24 105
	10 504 818	4 395 478	4 795 741	563 364

	INFLATION ADJUSTED		HISTORIC COST	
	September 2023 Reviewed ZW\$000	March 2023 Reviewed ZW\$000	September 2023 Supplementary Information ZW\$000	March 2023 Supplementary Information ZW\$000
7 Property, plant and equipment				
Movement in the property, plant and equipment balance for the period:				
Balance at the beginning of the period	10 337 405	7 541 092	1 161 223	248 642
Additions	1 633 121	3 764 191	1 547 839	995 100
Depreciation	(789 065)	(957 050)	(113 319)	(82 488)
Disposals	(787)	(10 828)	(49)	(31)
Balance at the end of the period	11 180 674	10 337 405	2 595 694	1 161 223
8 Inventories				
Finished products	21 375 847	11 131 027	10 241 350	2 992 203
Maturing spirits and wines	1 790 499	842 371	1 181 680	195 906
Raw materials	36 194 887	22 464 748	28 493 676	6 561 251
Allowance for obsolete inventory	(12 293)	(12 293)	(689)	(689)
Inventories at end of the period	59 348 940	34 425 854	39 916 017	9 748 671
9 Trade and other receivables				
Trade receivables	11 651 530	6 856 900	11 651 530	2 223 368
Prepayments - relating to inventory purchases #	18 896 179	11 414 325	16 216 561	3 406 550
Other receivables *	154 013	79 722	154 013	25 850
Allowance for credit losses	(78 699)	(116 881)	(78 699)	(37 899)
	30 623 023	18 234 066	27 943 405	5 617 869
* Other receivables includes sundry debtors, staff welfare and study loans.				
# Included in prepayments are balances with related parties as follows:				
Heineken Beverages ("Heineken")/Distell Ltd	849 306	481 075	352 137	876
10 Trade and other payables				
Trade payables - local	5 311 607	1 510 353	5 311 607	489 736
Trade payables - foreign	7 857 482	13 291 688	7 857 482	4 309 865
Accruals and other payables ^	15 907 247	8 395 053	15 907 247	2 722 118
	29 076 336	23 197 094	29 076 336	7 521 719

^ 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;



AFRICAN DISTILLERS LIMITED REVIEWED FINANCIAL INFORMATION

For the half year ended 30 September 2023

Notes to the Reviewed Condensed Interim Financial Results

For the half year ended 30 September 2023

Notes	INFLATION ADJUSTED		HISTORIC COST	
	September 2023	March 2023	September 2023	March 2023
	Reviewed ZW\$000	Reviewed ZW\$000	Supplementary Information ZW\$000	Supplementary Information ZW\$000
10 Trade and other payables (continued)				
Heineken Beverages ("Heineken")/Distell Ltd	4 120 402	9 556 900	4 120 402	3 098 850
Delta Corporation Limited	—	36 768	—	11 922
The average credit period on local purchases is 7 days while the average credit period for foreign purchases is more than 90 days.				
11 Short-term borrowings				
Short-term borrowings comprise of:				
Short term loans	18 063 660	6 774 705	18 063 660	2 196 716
Bank Overdraft	4 119 976	4 774 876	4 119 976	1 548 266
	22 183 636	11 549 581	22 183 636	3 744 982

Short term loans includes US\$600 000/ZW\$3.3 billion (March 2023: US\$600 000/ZW\$1.85 billion) unsecured loan from Delta with a six-month tenure and bank loans at 12-month tenure.

The company also has US\$2 million overdraft facility with the bank at 10% interest and ZW\$2.15 billion overdraft facilities with the banks at 75% interest.

Notes	INFLATION ADJUSTED		HISTORIC COST	
	September 2023	September 2022	September 2023	September 2022
	Reviewed ZW\$000	Reviewed ZW\$000	Supplementary Information ZW\$000	Supplementary Information ZW\$000
12 Cash generated from trading				
Profit before taxation	32 881 877	6 451 559	26 149 214	2 866 600
Exchange (gain)/loss	(9 339 080)	309 015	(9 339 080)	87 846
Depreciation	789 065	419 334	113 319	26 016
Loss on disposal of property, plant and equipment	787	602	49	3
Share option expense	275 609	82 715	42 618	16 189
Interest income	(8 928)	(5 998)	(7 376)	(1 197)
Interest expense	1 559 012	428 666	1 217 116	105 073
Net monetary (gain)/ loss	(9 316 929)	3 792 561	—	—
	16 841 413	11 478 454	18 175 860	3 100 530

13 Uncertain tax treatment

There have been significant currency changes in Zimbabwe since 2018. These changes created some uncertainties in the treatment of transactions for taxes due to the absence of clear guidelines. During the fiscal year ended March 2023, the Company became subject to an investigative audit by the Zimbabwe Revenue Authority (ZIMRA) in relation to non-payment of Income tax in foreign currency for the financial years 2019 to 2022. The income tax for the mentioned years had been paid in full in ZW\$. The results of the audit were issued in June 2023 and ZIMRA raised an assessment to the Company amounting to US\$1,841,221.46 being principal amount, interest and penalty.

The Company, after seeking legal advice, has contested the assessment and the case is presently in the Courts. The management, backed by legal counsel, believes that the Company has substantial and factual defences to the claims and allegations made by ZIMRA. As the final outcome of the legal proceedings is uncertain, no provision for any related income tax liability has been made in these interim financial statements. Management believes that the "most likely amount" to be settled by the Company is zero, hence no tax liability recognised. The company will assess the implications of the final outcome once the case has been concluded and will appropriately account for any liabilities that may arise as a result.

To comply with the provision of the Income Tax Act Section 69 (1) which states that "The obligation to pay any tax chargeable shall not be suspended pending a decision on any objection or appeal", the company agreed on a settlement plan with ZIMRA. As at period end, the company had paid a total of USD\$85,221.46 (i.e. equivalent to ZW\$468,718,037.00). The amount has been recognised in these interim financial statements as Current tax asset.

14 Contingent liabilities

With regards to Note 13 above, no provision for any interest and penalty liability, arising from the claims by ZIMRA against the Company, has been made in these interim financial statements. The Company has been advised by its legal advisers that it is possible, but not probable, that an outflow of resources embodying economic benefits will be required to settle the interest and penalty. The total interest and penalty amounts to US\$524,467.15.

15 Capital commitments

The Company has no firm capital commitments.

16 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. 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.

17 Events after the reporting period

There were no significant events after the period under review.

18 Auditor's review statement

The Company condensed inflation adjusted interim financial statements 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 Mr Fungai Kuipa (PAAB Practising Certificate Number 335).



Report on Review of Interim Financial Information

To the Shareholders of African Distillers Limited

Introduction

We have reviewed the accompanying Interim Condensed Inflation Adjusted Financial Information of African Distillers Limited ('the Company'), as set out on pages 8 to 17, which comprise the Interim Condensed Inflation Adjusted Statement of Financial Position as at 30 September 2023 and the related Interim Condensed Inflation Adjusted Statement of Profit or Loss and Other Comprehensive Income, Interim Condensed Inflation Adjusted Statement of Changes in Equity and Interim Condensed Inflation Adjusted Statement of 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 Review 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 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 (ZWS). 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.

Independent Auditor's Report (Continued)

African Distillers Limited

The errors resultant from the use of incorrect exchange rates impact both current half 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 Cash and cash equivalents on the Inflation Adjusted Statement of Financial Position is materially misstated. Our prior period audit report was also modified due to this matter.

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

- a) Virtually all Interim Condensed 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 Interim Condensed Inflation Adjusted Statement of Financial Position items that are affected are as follows:
 - i) Elements for which misstatements could be quantified on the Inflation adjusted Statement of financial position:

Element	30 September 2023		31 March 2023	
	Amount	Misstatement	Amount	Misstatement
	ZW\$	ZW\$	ZW\$	ZW\$
Trade and other payables	29,076,336,000	1,357,859,350	23,197,094,000	4,503,564,111

- ii) Elements on the on the Inflation adjusted Statement of financial position for which misstatements could not be quantified due to the volume of transactions (amounts rounded to the nearest thousand):
 - Inventories stated at ZW\$59,348,940, (31 March 2023: ZW\$34,425,854),
 - Accumulated profit stated at ZW\$41,769,391, (31 March 2023: ZW\$23,758,685),
 - Deferred taxation stated at ZW\$9,336,425, (31 March 2023: ZW\$2,048,594) and
 - Current tax liability stated at ZW\$147,947, (31 March 2023: ZW\$3,734,924).

The Interim Condensed Inflation Adjusted Statements of Changes in Equity and Cash Flows were consequently 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 adjustment of ZW\$11,996,547,000 (2022: ZW\$1,288,640,000) on the Interim Condensed Inflation Adjusted Statement of Profit or Loss and Other Comprehensive Income are impacted.

Independent Auditor's Report (Continued)

African Distillers Limited

The effects of the above departures from IFRS are material and pervasive to the Interim Condensed Inflation Adjusted Financial Information.

Adverse Conclusion

Our review indicates that, because of the matters outlined in the basis for adverse conclusion, as described in the preceding paragraph, the Interim Condensed Inflation Adjusted Financial information does not present fairly, in all material respects, the financial position of the Company as at 30 September 2023, and of its financial performance and its cash flows for the half-year period then ended in accordance with the International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this review conclusion report on the Interim Condensed Inflation Adjusted Financial Information is Mr. Fungai Kuipa (PAAB Practicing Certificate Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

02 November 2023