



# African Distillers Limited

(Incorporated in Zimbabwe)



## DIRECTORS' STATEMENT IN RESPECT OF THE AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2011

### SALIENT FEATURES

- Sales volumes increased by 10%.
- Gross sale rise by 32%.
- Gross margin improves to 29% (2010 - 20%)
- EBITDA, is \$0.29 million loss compared to a loss of \$2.15 million in prior year.
- Current year's cost of reorganisation is \$0,742 million (2010 - \$0,926 million)

### OVERVIEW

- A year of consolidation and re-positioning in the market.
- Second half sales volumes improve after changes to the excise duty take effect.
- A 3% shortfall over prior year volumes at half year was converted to a 10% gain by year end.
- A resurgence in sales of premium products together with lower overheads enabled the company to significantly increase margins.
- Cash generation remained tight as the Company utilised working capital to fund restructuring costs.
- Working capital challenges constrained volumes as the Company was unable to fully fund raw material requirements.

### COMPANY PERFORMANCE

- Gross sales amounted to \$19.5 million (2010 - \$14.8 million).
- Growth in working capital was in line with increased sales activity.
- Higher sales and margins have improved cash generation.
- Changes in sales mix have positively affected profitability.
- Currency exposure to Rand debt has been fully provided for at current exchange rates.

### FUTURE PROSPECTS

- The sales recovery across all product categories augurs well for the future.
- The upgrade to the distribution network and the appointment of sales representatives countrywide is now complete. This should enhance execution and significantly increase sales.
- Working capital support has been provided by the Company's major shareholders.
- The Company is in a strong position to take advantage of further improvement in the economic climate.
- The Company is forecasting a return to profitability in the year ahead.

### DECLARATION OF DIVIDEND

No dividend will be payable due to the loss incurred.

### BY ORDER OF THE BOARD

**LMUTAMUKO**  
Secretary

25<sup>th</sup> August 2011

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Notes	June 2011 Audited \$	June 2010 Audited \$
<b>Gross sales</b>		<b>19 483 655</b>	<b>14 797 724</b>
Excise duty		(4 453 642)	(2 747 341)
<b>Revenue</b>		<b>15 030 013</b>	<b>12 050 383</b>
Cost of sales		(9 360 314)	(9 123 737)
<b>Gross profit</b>		<b>5 669 699</b>	<b>2 926 646</b>
Other income		54 423	83 321
Distribution costs		(188 825)	(134 693)
Administrative expenses		(837 324)	(553 244)
Other operating expenses		(4 467 287)	(3 802 862)
<b>Operating income/(loss)</b>	6	<b>230 686</b>	<b>(1 480 832)</b>
Reorganisation costs		(742 404)	(926 004)
Net finance costs	7	(460 453)	(57 204)
Loss before taxation		(972 171)	(2 464 040)
Taxation	8	39 971	927 242
<b>Loss for the year</b>		<b>(932 200)</b>	<b>(1 536 798)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(932 200)</b>	<b>(1 536 798)</b>
Loss per share (Cents):			
Attributable		(0.98)	(1.62)
Headline		(0.88)	(1.56)
Diluted		(0.98)	(1.62)

### STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	June 2011 Audited \$	June 2010 Audited \$	Restated June 2009 Audited \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4 359 833	4 727 705	5 023 509
Long term loans	211 858	68 625	17 415
	<b>4 571 691</b>	<b>4 796 330</b>	<b>5 040 924</b>
<b>Current assets</b>			
Inventories	3 933 148	4 737 252	2 974 965
Trade and other receivables	3 222 580	1 827 035	651 610
Cash and cash equivalents	188 460	207 575	121 667
	<b>7 344 188</b>	<b>6 771 862</b>	<b>3 748 242</b>
<b>Total assets</b>	<b>11 915 879</b>	<b>11 568 192</b>	<b>8 789 166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Shareholders' equity	3 844 450	4 776 650	6 313 448
<b>Non-current liabilities</b>			
Deferred taxation	487 124	527 095	1 454 337
<b>Current liabilities</b>			
Bank borrowings	899 999	750 999	54 962
Trade and other payables	6 684 306	5 513 448	966 419
	<b>7 584 305</b>	<b>6 264 447</b>	<b>1 021 381</b>
<b>Total liabilities</b>	<b>8 071 429</b>	<b>6 791 542</b>	<b>2 475 718</b>
<b>Total equity and liabilities</b>	<b>11 915 879</b>	<b>11 568 192</b>	<b>8 789 166</b>
Ordinary shares in issue (Actual) (millions)	95	95	94
Ordinary shares in issue (Weighted average) (millions)	95	95	93
Interest bearing debt to shareholders' equity (%)	23.41	15.72	0.87
Current ratio (: 1)	0.97	1.08	3.67
Shareholders' equity per share (Cents)	4.05	5.03	6.79
Middle market price (Cents)	13.00	14.00	26.00

### STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Notes	June 2011 Audited \$	June 2010 Audited \$
<b>Cash Flow from Operating Activities</b>			
Cash utilised in operations after non-cash items before changes in working capital		(567 285)	(2 090 319)
Changes in working capital		579 417	1 609 317
Cash generated from/(utilised in) operating activities		12 132	(481 002)
Interest expense	7	(84 596)	(48 524)
Cash outflow from operations		(72 464)	(529 526)
<b>Net cash outflow from operating activities</b>		<b>(72 464)</b>	<b>(529 526)</b>
<b>Cash flow from investing activities</b>			
Property, plant and equipment	9	47 582	(29 393)
Long term loans		(143 233)	(51 210)
<b>Net cash used in investing activities</b>		<b>(95 651)</b>	<b>(80 603)</b>
<b>Net cash outflow from investing and operating activities</b>		<b>(168 115)</b>	<b>(610 129)</b>
<b>Cash flow from financing activities</b>			
Increase in short term borrowings		149 000	696 037
<b>Net movement in cash and cash equivalents</b>		<b>(19 115)</b>	<b>85 908</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>207 575</b>	<b>121 667</b>
<b>Cash and cash equivalents at end of the year</b>		<b>188 460</b>	<b>207 575</b>
<b>Comprising:-</b>			
Bank balances and cash		<b>188 460</b>	<b>207 575</b>

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 June 2011

	June 2011 Audited \$	June 2010 Audited \$
<b>Shareholders' equity at beginning of the year</b>	<b>4 776 650</b>	<b>6 313 448</b>
Total comprehensive loss for the year	(932 200)	(1 536 798)
<b>Shareholders' equity at end of the year</b>	<b>3 844 450</b>	<b>4 776 650</b>

### NOTES

#### 1 Accounting Policies:

The principal accounting policies of the Company have been consistently applied in all material respects and conform with International Financial Reporting Standards and interpretations thereto.

The Company has elected to adopt the amended IFRS 1, First-time adoption of International Financial Reporting Standards ahead of the effective date. This has had the effect in the current year financial reporting of disclosing three statements of financial position together with appropriate notes. The statements of financial position cover the opening position at 30 June 2009 with deemed US\$ amounts, the closing balances as at 30 June 2010 and the closing balances as at 30 June 2011.

#### 2 Currency of Reporting:

The Financial Statements are presented in United States Dollars which is the functional currency of the Company.

#### 3 Share Capital:

At the Annual General meeting held on 3 November 2010, the shareholders approved a redenomination of the authorised share capital of the Company from 1 dollar per share in Zimbabwe Dollars (that is Z\$ prior to any restatement to address inflation) to US1 cent per share. It was further approved that a transfer should be made from the non-distributable reserve to the share capital account of an amount equivalent to the number of shares in issue multiplied by US 1 cent. Accordingly an amount of \$952 039 was transferred from the non distributable reserve to the share capital account. No adjustment has been made to comparative figures.

#### 4 Reclassification of Exchange Differences From Other Operating Expenses to Finance Costs:

The Company deemed it more prudent during the current reporting period to regard exchange gains/losses as part of finance costs and hence disclose them together with other bank interest. The amounts reclassified are as per (Note 7). Prior year Statement of Comprehensive Income has been amended to show this disclosure amendment.

There is no effect on the results for both accounting years as a result of this change.

#### 5. Reclassification of Advances to Springvale farm from Current Assets to Non-Current Assets:

The Company reviewed the ability of the farm to pay back the funds advanced to it over the years and concluded that it was not in a position to be able to pay back in the next financial year, hence the need for reclassification to Non-Current Assets. The amounts reclassified are as follows: 2011 - \$113 025; 2010 - \$68 625; and 2009 - \$17 415. The Statement of Financial Position and Statement of Cashflows have been amended to reflect this change.

#### 6 Operating Income/(loss):

This is stated after charging:  
Depreciation

#### 7 Net Finance Costs:

Interest expense  
Exchange losses

#### 8 Taxation:

Current income tax expense  
Deferred tax - Arising on current year temporary differences  
- Reversal due to rate reduction

#### 9 Property, Plant and Equipment:

Acquisition of property, plant and equipment  
Proceeds on disposal

#### 10 Commitments for Capital Expenditure:

The Company has no firm capital commitments.



### DIRECTORATE

J S Mutizwa (Chairman), \*M J Hollingworth (Managing Director), \*A Chitapi, \*C Z Guyo  
S W Kloppe, R H M Maunsell, S V Rushwaya, G J Schooling  
\* Executive Directors