



African Distillers Limited

(Incorporated in Zimbabwe)



DIRECTOR'S STATEMENT IN RESPECT OF THE UNAUDITED RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2010

Salient Features

- Sales volumes for the period were 7% below prior year overall but showed growth of 3% in the second quarter.
- A trading profit of \$ 491 000 was offset by retrenchment costs and unrealized Rand exchange losses.
- The Balance Sheet finished the period showing positive improvements.
- The retrenchment and restructuring exercise was completed and funded from working capital.

Overview

- The decline in sales volumes was mainly due to the lingering impact of "ad valorem" excise duty. The change in this duty from 'ad valorem' to 'specific' in August 2010 dramatically improved the competitiveness of locally produced products and thus of the company.
- Local production is increasing as the importation of spirit products is no longer attractive.
- Pressure on disposable income has created a situation in which lower priced products in the white spirit market have shown the strongest growth. Competition in this sector is intense and margins remain under pressure.

Company Performance

- Turnover amounted to \$10, 26 million versus \$ 8, 66 million for the same period last year.
- Growth in working capital is in line with increased sales activities.
- Cash generation is improving in line with increasing sales.

Future Prospects

- The sales recovery in the second quarter is encouraging and sales of locally produced spirits are showing an improving trend each month.
- The upgrade to the distribution network countrywide is nearing completion and will enhance sales opportunities.
- Supply of raw materials is sufficient to meet the expected upturn in sales.
- The full benefits of the completed restructuring of the company will start accruing in the second half of the year and this augurs positively for the future.
- The Company is taking all steps necessary to ensure that all of its products fully comply with the legislated health warnings on labels.
- A breakeven situation is forecast for the full year, and the Board is confident that the company is on a sustainable recovery path.

Declaration of Dividend

No interim dividend will be payable due to the loss incurred and the need to conserve cash for the future recapitalization of the company.

Change of Executive Directorship and Company Secretary

With effect from 1st January 2011, Mr M J Hollingworth replaces Mr K G Jarvis as Managing Director following the latter's retirement. Mr A Chitapi replaces Mr P Moyo as the Marketing Director while Mrs. L Mutamuko takes over as Company Secretary.

By order of the Board

L Mutamuko
Secretary

10 February 2011

STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months ended Dec 2010 Unaudited \$	6 months ended Dec 2009 Unaudited \$	12 months ended June 2010 Audited \$
Gross sales		10 267 919	8 661 364	14 797 724
Excise duty		(2 304 892)	(1 290 105)	(2 747 341)
Net revenue		7 963 027	7 371 259	12 050 383
Cost of sales		(5 397 801)	(4 891 244)	(9 123 737)
Gross profit		2 565 226	2 480 015	2 926 646
Other income		22 475	11 747	83 321
Distribution costs		(73 006)	(80 340)	(134 693)
Administrative expenses		(289 025)	(250 064)	(553 244)
Other operating expenses		(2 818 471)	(2 050 193)	(4 737 546)
Operating (loss)/ income	4	(592 801)	111 165	(2 415 516)
Net finance costs		(29 892)	(15 011)	(48 524)
(Loss)/profit before taxation		(622 693)	96 154	(2 464 040)
Taxation	5	(150 238)	305 680	927 242
(Loss)/profit for the period		(772 931)	401 834	(1 536 798)
(Loss)/earnings per share (Cents) :				
Attributable		(0.81)	0.42	(1.62)
Headline		(0.80)	0.42	(1.56)
Diluted		(0.81)	0.42	(1.62)

STATEMENT OF FINANCIAL POSITION

	As at Dec 2010 Unaudited \$	As at Dec 2009 Unaudited \$	As at June 2010 Audited \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	4 600 402	4 731 730	4 727 705
	<u>4 600 402</u>	<u>4 731 730</u>	<u>4 727 705</u>
Current Assets			
Inventories	4 131 124	4 830 332	4 737 252
Trade and other receivables	3 360 220	2 366 703	1 895 660
Cash and cash equivalents	641 159	668 744	207 575
	<u>8 132 503</u>	<u>7 865 779</u>	<u>6 840 487</u>
Total Assets	12 732 905	12 597 509	11 568 192
EQUITY AND LIABILITIES			
Capital and Reserves			
Shareholders' equity	4 003 719	6 715 282	4 776 650
Non - Current liabilities			
Deferred taxation	635 143	1 030 893	527 095
Current Liabilities			
Bank borrowings	449 999	675 884	750 999
Trade and other payables	7 601 854	4 100 936	5 513 448
Current tax liabilities	42 190	74 514	-
	<u>8 094 043</u>	<u>4 851 334</u>	<u>6 264 447</u>
Total Liabilities	8 729 186	5 882 227	6 791 542
Total Equity and Liabilities	12 732 905	12 597 509	11 568 192
Ordinary shares in issue (Actual) (millions)	95	95	95
Ordinary shares in issue (Weighted average) (millions)	95	95	95
Interest bearing debt to shareholders' equity (%)	11.24	10.06	15.72
Current ratio (: 1)	1.00	1.62	1.09
Shareholders' equity per share (Cents)	4.21	7.07	5.03
Middle market price (Cents)	14.00	17.00	14.00

STATEMENT OF CASH FLOWS

	Notes	6 months ended Dec 2010 Unaudited \$	6 months ended Dec 2009 Unaudited \$	12 months ended June 2010 Audited \$
Cash Flow from Operating Activities				
Cash (utilised in)/ generated from trading after non-cash items		(466 191)	408 016	(2 090 319)
Changes in working capital		1 229 974	(418 528)	1 558 107
Cash generated from/(utilised in) operating activities		763 783	(10 512)	(532 212)
Net finance costs		(29 892)	(15 011)	(48 524)
Income tax paid		-	(43 250)	-
Cash inflow/(outflow) from operations		733 891	(68 773)	(580 736)
Dividends paid		-	-	-
Net Cash Inflow/(Outflow) from Operating Activities		733 891	(68 773)	(580 736)
Cash Flow from Investing Activities				
Property, plant and equipment	6	693	(5 072)	(29 393)
Net Cash used in investing Activities		693	(5 072)	(29 393)
Net Cash Inflow/(Outflow) from Investing and Operating Activities		734 584	(73 845)	(610 129)
Cash Flow from Financing Activities				
(Decrease)/ increase in short term borrowings		(301 000)	620 922	696 037
Net Cash (Outflow)/inflow from Financing Activities		(301 000)	620 922	696 037
Net movement in cash and cash equivalents		433 584	547 077	85 908
Cash and cash equivalents at beginning of period		207 575	121 667	121 667
Cash and cash equivalents at end of period		641 159	668 744	207 575
Comprising:-				
Bank balances and cash		641 159	668 744	207 575

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	4 776 650	6 604 611	6 604 611
Shareholders' equity at beginning of the period as previously stated	4 776 650	6 604 611	6 604 611
Inventory valuation adjustments	-	(291 163)	(291 163)
Restated shareholders' equity at beginning of the period	4 776 650	6 313 448	6 313 448
(Loss)/profit for the period	(772 931)	401 834	(1536 798)
Shareholders' equity at end of the period	4 003 719	6 715 282	4 776 650

NOTES

- Accounting Policies:**
The principal accounting policies of the Company have been consistently applied in all material respects and do conform with International Financial Reporting Standards and interpretations thereto.
- Currency of reporting:**
The Financial Statements are presented in United States Dollars which is the functional currency of the Company.
- Authorised & Issued Share Capital:**
An Annual General Meeting was held on 3 November 2010 and shareholders approved a redenomination of Authorised Share Capital of the Company from 1 Cent per share in Zimbabwe Dollars (that is Z\$ prior to any restatement for inflation adjusted figures) to US 1 Cent per share. It was further approved that a transfer be made from the Share Premium account 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 \$952 038 was transferred from the Share Premium account to the Share Capital account.
- Operating (loss)/ income:**
This is stated after charging:

	117 026	284 952	261 406
Depreciation	117 026	284 952	261 406
Termination costs (included in other operating costs)	545 610	-	926 004
Net foreign exchange losses (included in other operating costs)	408 331	129 056	8 680
	<u>1 070 967</u>	<u>414 008</u>	<u>1 196 090</u>
- Taxation:**

	42 190	117 764	-
Current tax expense	42 190	117 764	-
Deferred tax - Arising on current period temporary differences	108 048	(114 213)	(598 976)
- Reversal due to tax rate change	-	(309 231)	(328 266)
	<u>150 238</u>	<u>(305 680)</u>	<u>(927 242)</u>
- Property, Plant and Equipment:**

	38 853	5 072	38 871
Acquisition of property, plant and equipment	38 853	5 072	38 871
Realised on disposal	(39 546)	-	(9 478)
	<u>(693)</u>	<u>5 072</u>	<u>29 393</u>
- Commitments for Capital Expenditure:**
The Company has no firm capital commitments.



DIRECTORATE

J S Mutizwa BSc (Hons) MBA (Chairman), *C Z Guyo BSc (Hons) MBA,
*M J Hollingworth B. Compt. CA (Z) (Managing), S W Klopper B.Acc. Hons. CA (SA),
*A Chitapi B-Tech Mgt (Hons), R H M Maunsell B. Bus. Sc., CA (SA), CA (Z),
S V Rushwaya BSc (Soc), G J Schooling (B. Comm).

* Executive Directors