



AFRICAN DISTILLERS LIMITED (Incorporated in Zimbabwe)

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Volumes up 17% from prior year.
- Revenue up 98% to ZWL60.6 million.
- Operating income up 257% to ZWL25,4 million.
- Profit for the year up 243% to ZWL18 million.
- Cash and cash equivalents of ZWL11,9 million.
- Attributable earnings per share up 241% to ZWL15,45 cents.
- Total dividend declared for the year - ZWL5,3 million.
- Government taxes remitted ZWL25,3 million.

CHAIRMAN'S STATEMENT

Overview

The year under review witnessed major monetary and fiscal policy pronouncements, some of these being;

- Separation of foreign currency accounts (FCAs) into RTGS\$ and Domestic Nostro FCA at a rate of 1:1 (October 2018 Monetary Policy Statement);
- Introduction of 2% Intermediated Monetary Transfer Tax (IMTT) (Statutory Instrument 205 of 2018);
- Legislation of RTGS\$ as a local currency (Statutory Instrument 33 of 2019);
- Introduction of an interbank exchange rate for the trade of the RTGS\$ and foreign currencies (Exchange Control Directive RU 28/2019); and
- Re-introduction of the Zimbabwe dollar as the only legal tender for transactions in Zimbabwe (Statutory Instrument 142 of 2019).

All these measures have had a significant effect on both the trading and operating environment of the Company.

Foreign currency shortages persisted throughout the year, impacting on the Company's ability to fully supply the market. The resultant exchange rate fluctuations led to increases in costs which in turn exerted pressure on selling prices.

Currency changes

The monetary authorities introduced the RTGS\$ as the transactional currency on 22 February 2019. For accounting purposes, the RTGS\$ also became the functional currency on that date. The Company has therefore rebased assets and liabilities to reflect this change in functional currency as detailed in the notes to the financial statements. The Board advises users of these financial statements to exercise caution especially on the statement of profit or loss and other comprehensive income (SOCI) which complies with SI 33/19 but is not in line with International Financial Reporting Standards (IFRS) as it is a summation of different currency values at the time of trade.

In light of the failure to fully comply with International Financial Reporting Standards (IFRSs), the Company's external auditors have issued an adverse opinion on the financial statements for the year ended 30 June 2019.

Trading summary

The Company registered a volume growth of 17% on prior year, largely from the first half to December 2018. Spirits increased by 21%, Ready-to-Drink (RTDs) by 18%, while wine registered a decline of 10%. Product innovation within the gin and vodka segments significantly contributed to the overall spirit category volume growth.

Financial performance

Revenue and operating income grew by 98% and 257% respectively. The significant increase in operating income is as a result of volume upsurge, supply chain cost management and inflation driven price adjustments.

In order to ensure business continuity, the Reserve Bank of Zimbabwe (RBZ) provided a facility to one of the Company's major foreign suppliers amounting to USD\$22,5million in line with the Exchange Control Directive RU 28 of 22 February 2019.

Future prospects

Macro-economic conditions continue to deteriorate, further reducing consumer disposable incomes and compromising product demand. Post year-end, the Government changed duty structures effectively doubling excise duty on Company products. Affordability is likely to be a challenge going forward.

The Company will continue to seek opportunities to protect market share and enhance shareholder value.

Dividend

The board has recommended a final dividend of ZWL1,50 cents per share, resulting in a total dividend of ZWL4,50 cents per share for the year, amounting to ZWL5,3 million.

P Gowero

Chairman

Dividend declaration

Notice is hereby given that the Board of Directors declared a final dividend, number 89 of ZWL1.50 cents per share payable in respect of all the qualifying ordinary shares of the Company. This dividend is in respect of the year ended 30 June 2019.

	FINAL DIVIDEND
Dividend Number	89
Announcement Date	13 September 2019
Record Date	27 September 2019
Last Date to Trade	24 September 2019
Ex-Dividend Date	25 September 2019
Payment Date	14 October 2019
Dividend Amount	ZWL 1 759 590
Dividend per Share	ZWL 0.015

By order of the Board

L Mutamuko

Company Secretary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	June 2019 Audited ZWL	June 2018 Audited ZWL
Revenue	4	60 553 196 (20 139 564)	30 589 359 (14 632 663)
Cost of sales			
Gross profit		40 413 632	15 956 696
Other income		539 133	89 810
Distribution costs		(1 092 673)	(682 138)
Administrative expenses		(2 207 564)	(886 283)
Other operating expenses		(12 255 661)	(7 372 264)
Operating income		25 396 867	7 105 821
Interest income/(expense)		124 564	(147 040)
Net exchange (loss)/gain		(464 894)	265 266
Profit before taxation	5	25 056 537	7 224 047
Taxation expense	6	(7 001 629)	(1 965 981)
Profit for the year		18 054 908	5 258 066
Other comprehensive income		-	-
Total comprehensive income for the year		18 054 908	5 258 066
Earning per share (Cents) :			
Attributable		15.45	4.53
Headline		15.43	4.53
Diluted		15.43	4.49

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	June 2019 Audited ZWL	June 2018 Audited ZWL
ASSETS			
Non-current assets			
Property, plant and equipment	7	21 795 404	9 080 070
Long term loans		325 421	369 844
		22 120 825	9 449 914
Current assets			
Inventories	8	24 116 999	5 320 770
Trade and other receivables	9	19 881 394	5 180 148
Short term investments	10	3 818 104	17 449 662
Cash and cash equivalents		11 863 451	2 825 496
		59 679 948	30 776 076
Total assets		81 800 773	40 225 990
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholders' equity		61 038 718	23 064 027
Non-current liabilities			
Deferred taxation		1 399 789	1 982 893
Current liabilities			
Trade and other payables	11	17 388 242	14 440 512
Current tax liabilities		1 974 024	738 558
		19 362 266	15 179 070
Total liabilities		20 762 055	17 161 963
Total equity and liabilities		81 800 773	40 225 990
Ordinary shares in issue (Actual) (millions)		117	117
Ordinary shares in issue (Weighted average) (millions)		117	116
Current ratio (: 1)		2.95	2.03
Shareholders' equity per share (Cents)		52.17	19.71
Middle market price (Cents)		180.00	145.00

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	June 2019 Audited ZWL	June 2018 Audited ZWL
Cash flow from operating activities			
Cash generated from trading after non-cash items	12	26 760 349 (20 329 816)	8 452 945 6 242 407
Changes in working capital		6 430 533	14 695 352
Cash generated from operations		124 564	(147 040)
Net interest income/(expense)		(6 349 267)	(701 929)
Income tax paid		205 830	13 846 389
Net cash inflow from operating activities			
Cash flow from investing activities			
Property, plant and equipment	7.1	(575 399)	(293 924)
Decrease/(Increase) in long term loans		44 423	(42 428)
Decrease/(Increase) in short term investments		13 631 558	(14 181 545)
Net cash inflow/(outflow) from investing activities		13 100 582	(14 517 897)
Net cash inflow/(outflow) from investing and operating activities		13 306 412	(671 514)
Cash flow from financing activities			
Dividends paid to owners of the Company		(4 696 543)	(965 890)
Increase in shareholder funding		428 086	209 023
Net cash utilised in financing activities		(4 268 457)	(756 867)
Net movement in cash and cash equivalents		9 037 955	(1 428 381)
Cash and cash equivalents at beginning of the year		2 825 496	4 253 877
Cash and cash equivalents at end of the year		11 863 451	2 825 496
Comprising:-			
Bank balances and cash		11 863 451	2 825 496

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 June 2019

	June 2019 Audited ZWL	June 2018 Audited ZWL
Shareholders' equity at beginning of the year	23 064 027	18 282 653
Changes in Issued share capital		
Exercise of share options	7 688	10 000
Share buy back	-	(1 000)
Changes in share premium		
Exercise of share options	420 398	351 563
Share buy back	-	(151 540)
Changes in share option reserve		
Recognition of share based payments	984 040	280 175
Transfer from share option reserve due to exercise of share options	(343 710)	(247 715)
Change in functional currency reserve		
Change in functional currency reserve	23 616 280	-
Depreciation charge attributable to the currency uplift for the year	(412 080)	
Changes in distributable reserves		
Transfer from share option reserve due to exercise of share options	343 710	247 715
Total comprehensive income for the year	18 054 908	5 258 066
Dividend paid	(4 696 543)	(965 890)
Shareholders' equity at end of the year	61 038 718	23 064 027

NOTES

For the year ended 30 June 2019

1. Accounting policies

Accounting policies are consistent with those used in the previous year with no significant impact arising from new and revised International Financial Reporting Standards applicable for the year ended 30 June 2019.

While full compliance with the International Financial Reporting Standards (IFRSs) was achieved in previous reporting periods, only partial compliance was achieved for the year ended 30 June 2019 as a result of non-compliance with International Accounting Standard 21 - The Effects of changes in foreign exchange rates (IAS 21), as set out in note 2.

2. Functional and presentation currency

The financial statements are presented in Zimbabwe dollars (ZWL), which became the functional currency of the Company as from 22 February 2019.

In February 2019, the Government issued Statutory Instrument 33 of 2019 (SI33/19), which directed that all assets and liabilities that were in United States Dollars (US\$) before 22 February 2019 be deemed to have become RTGS dollars (and subsequently ZWL as of 24 June 2019) at a rate of 1:1 to the US\$. The financial reporting and auditing guidance on currency considerations under the environment prevailing issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21. The Company has reported the Statement of Profit or Loss and Other Comprehensive Income on the basis of the 1:1 in compliance with SI33 of 2019 and in recognition of the multiple exchange rates that were imputed in commercial transactions. The Statement of Financial Position was translated as at 22 February 2019, at the commencement ZWL rate of 2,5 to the US\$ and the resultant increase in net assets of ZWL24 million is recorded as a non-distributable currency translation reserve.

NOTES

For the year ended 30 June 2019 (continued)

All transactions post this date are translated to ZWL in accordance with IAS21 at the official interbank rate prevailing at the time of transacting.

The functional currency of the Company changed in the current year to ZWL from US\$ in the previous year as a consequence of the above. The Company also changed its presentation currency to ZWL. Financial statements for the year ended 30 June 2019 are presented in ZWL. Comparative information was translated to ZWL using a rate of 1:1, in line with the legally prescribed parity between bond notes, coins and RTGS balances of 1:1 for that period.

3 Share buy back

The Company is holding 2 599 819 (2018: 2 599 819) of its own shares as treasury stock and no additional shares were acquired during the year.

	June 2019 Audited ZWL	June 2018 Audited ZWL
4 Revenue		
Gross sales	77 118 171	42 728 547
Excise duty, royalty & discounts	(16 564 975)	(12 139 188)
	60 553 196	30 589 359
5 Profit before tax		
This is stated after charging/(crediting) the following items of significance:		
External audit fees	405 234	68 000
Depreciation	871 200	807 000
Staff costs	7 173 875	5 311 512
Retirement benefit costs	450 588	381 613
Profit from sale of property, plant and equipment	(26 865)	(5 317)
Compensation of directors and key management		
for services as directors	113 444	85 094
for management services	1 692 131	1 144 566
6 Taxation		
Current income tax expense	7 584 733	1 647 345
Deferred tax - Arising on current year temporary differences	(583 104)	318 636
	7 001 629	1 965 981
7 Property, plant and equipment		
Movement in the property, plant and equipment balance for the year:		
Balance at the beginning of the year	9 080 070	9 587 829
Capital expenditure	631 472	325 587
Arising from change in functional currency	13 398 935	-
Depreciation charge attributable to the currency uplift for the year	(412 080)	-
Depreciation through statement of profit or loss and other comprehensive income	(871 200)	(807 000)
Disposals	(31 793)	(26 346)
Balance at the end of the year	21 795 404	9 080 070
7.1 Cash flows		
Acquisition of property, plant and equipment	(631 472)	(325 587)
Realised on disposal	56 073	31 663
	(575 399)	(293 924)
8 Inventories		
Finished products	12 945 287	1 863 197
Maturing spirits and wines	794 974	216 216
Raw materials	10 376 738	3 241 357
Inventories at end of the year	24 116 999	5 320 770
9 Trade and other receivables		
Trade receivables *	9 076 518	4 252 998
Prepayments - relating to inventory purchases	9 790 909	519 321
Other receivables	1 013 967	407 829
	19 881 394	5 180 148

*The adoption of the guidelines of IFRS 9 (Financial Instruments) resulted in a reduction in the prior year allowance for credit losses and an increase in the retained earnings as at 1 July 2018 of ZWL70 917. The directors deemed the movement to be immaterial and hence did not adjust the opening retained earnings.

10 Short term investments		
Money market investments	3 818 104	17 449 662
These have a tenor of 90 days and to 365 days at an average rate of 5% -(2018-5%).		
All prior year investments had a maximum tenor of 90 days.		
11 Trade and other payables		
Trade payables - local	1 077 460	2 347 002
Trade payables - foreign	8 044 887	9 301 735
Accruals and other payables	8 265 894	2 791 775
	17 388 241	14 440 512
The average credit period on local purchases is 30 days and on foreign purchases is more than 90 days.		
12 Cash generated from trading		
Operating income	25 396 867	7 105 821
Realised exchange gain/(loss)	1 489 715	(99 041)
Depreciation	871 200	807 000
Profit on disposal of property, plant and equipment	(26 865)	(5 317)
Share option expense	984 040	280 175
Unrealised exchange (loss)/gain	(1 964 608)	364 307
	26 760 349	8 452 945
13 Commitments for capital expenditure:		
The Company has no firm capital commitments - (2018- \$ nil)		
14 Contingent liabilities		
The company has no contingent liabilities, current or pending		
15 Audit opinion		
These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 June 2019 which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. An adverse audit opinion has been issued thereon. The auditors have included a section on key audit matters. The key audit matters were on valuation of expected credit losses on trade and other receivables, valuation and disclosure of prepayments and change in financial reporting Information Technology (IT) system. The auditor's report on the financial statements, which form the basis of these financial results is available for inspection at the company's registered office.		

DIRECTORATE
P Gowero (Chairman), *C Gombera (Managing Director), S W Klopfer, C Malunga, R H M Maunsell, *M L Ndachena, N Samuriwo, G J Schooling, M M Valala
*Executive Directors