



AFRICAN DISTILLERS LIMITED

(Incorporated in Zimbabwe)

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	INFLATION ADJUSTED	HISTORIC COST
Revenue	up 19% to ZWL1.3 billion	up 706% to ZWL596.4 million
Operating income	up 80% to ZWL438.6 million	up 974% to ZWL272.6 million
Net cash on hand	ZWL32.8 million	ZWL32.8 million
Interim dividend declared	ZWL15.4 million	ZWL11.7 million
Earnings per share	increased to ZWL316.47 cents	up 967% to ZWL164.83 cents
Government taxes remitted	ZWL359 million	ZWL177 million

CHAIRMAN'S STATEMENT

Overview

The Company's results have been achieved in a very difficult trading environment. Multiple negative economic factors resulted in reduced consumer disposable incomes and resultantly lower sales volumes in comparison to prior periods. The business environment towards the end of the trading period was negatively affected by the advent of COVID-19 which significantly altered the operating landscape.

Trading summary

Volume declined by 22% compared to prior year, impacted upon largely by the Ready-To-Drink (RTD) category performance which declined 30%. The spirit category which dominates revenue generation, performed better, registering a relatively lower decline on prior year of 11%. The RTD performance was negatively affected by limited outdoor activities due to the COVID-19 lockdown restrictions in the last quarter.

Financial Results

At historical cost, revenue and operating income grew by 706% and 974% respectively driven by inflation induced pricing, a favourable sales mix and cost containment. In inflation adjusted terms the growth in revenue and operating income was 19% and 80% respectively. Net funds were at ZWL32.8 million.

Compliance with IFRS

The financial results have been adjusted for the effects of inflation in compliance with International Accounting Standard 29-IAS29 (Financial Reporting in Hyperinflationary Economies). The historical information has been presented as supplementary information.

The external auditors issued an adverse opinion on the prior year financial statements due to non-compliance with International Accounting Standard 21 - IAS21 (The Effects of Changes in Foreign Exchange Rates). This has resulted in a qualified opinion on the financial statements for the current year with respect to the opening balances and carry over impact in the current year. These issues have been fully disclosed in the notes to the financial statements.

Future Prospects

The difficult macro-economic environment has been compounded by the resurgence of hyperinflation and the COVID-19 pandemic. However, the recently introduced Reserve Bank of Zimbabwe (RBZ) auction system should ease availability of foreign currency and stabilize exchange rates.

The Company will continue to explore strategies designed to best serve the market under the prevailing market conditions and ensure business continuity. The health and safety of our employees and stakeholders will remain of paramount importance during the COVID-19 pandemic.

Dividend

The board declared an interim dividend of ZWL0.10 (10 cents) per share during the year and has proposed not to declare a final dividend. This is due to the uncertainties presented by the COVID-19 pandemic as well as the need to invest in some necessary capital projects.

DIRECTORATE

Mr. George Schooling retired from the board on 31 December 2019. The board appointed Mr. Ryan Pieters in February 2020.

APPRECIATION

The Board pays tribute to the Company's management, employees and all other stakeholders for their effort commitment and support during the past year. Special recognition goes to Mr. G. Schooling who retired from the Board in December 2019. The Board is grateful for his significant contribution over the years.

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Chairman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		June 2020 Audited ZWL'000	June 2019 Audited ZWL'000	June 2020 Supplementary Information ZWL'000	June 2019 Supplementary Information ZWL'000
Revenue	7	1 300 971	1 096 594	596 408	73 998
Cost of sales		(614 784)	(604 609)	(223 928)	(31 767)
Gross profit		686 187	491 985	372 480	42 231
Other income		3 597	6 667	1 851	539
Distribution costs		(17 891)	(16 589)	(8 323)	(1 093)
Administrative expenses		(54 486)	(27 260)	(27 492)	(2 208)
Other operating expenses		(178 838)	(210 693)	(65 875)	(14 072)
Operating income		438 569	244 110	272 641	25 397
Net interest income/(expense)		252	1 361	(1)	125
Net exchange (loss)/gain		(15 530)	11 482	(7 338)	(465)
Net monetary gain/(loss)		168 741	(76 309)	-	-
Profit before taxation	8	592 032	180 644	265 302	25 057
Taxation expense	9	(220 506)	(185 961)	(71 803)	(7 002)
Profit/(loss) for the year		371 526	(5 317)	193 499	18 055
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss)		371 526	(5 317)	193 499	18 055
Earnings/(loss) per share (Cents) :					
Attributable		316.47	(4.55)	164.83	15.45
Headline		319.15	(4.59)	164.54	15.43
Diluted		305.48	(4.53)	159.10	15.43

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		June 2020 Audited ZWL'000	June 2019 Audited ZWL'000	June 2020 Supplementary Information ZWL'000	June 2019 Supplementary Information ZWL'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	189 675	168 731	34 210	21 795
Long term loans		379	2 725	379	325
		190 054	171 456	34 589	22 120
Current assets					
Inventories	11	380 043	300 184	157 027	24 117
Trade and other receivables	12	663 582	211 798	219 243	19 881
Short term investments	13	67	31 968	67	3 818
Cash and cash equivalents		32 734	99 328	32 734	11 863
		1 076 426	643 278	409 071	59 679
Total assets		1 266 480	814 734	443 660	81 799
EQUITY AND LIABILITIES					
Capital and reserves					
Shareholders' equity		864 809	512 545	243 589	61 038
Non-current liabilities					
Deferred taxation		212 430	140 076	10 830	1 400
Current liabilities					
Trade and other payables	14	170 871	145 585	170 871	17 388
Current tax liability		18 370	16 528	18 370	1 973
		189 241	162 113	189 241	19 361
Total liabilities		401 671	302 189	200 071	20 761
Total equity and liabilities		1 266 480	814 734	443 660	81 799
Ordinary shares in issue (Actual) (millions)		118	117	118	117
Ordinary shares in issue (Weighted average) (millions)		117	117	117	117
Current ratio (: 1)		5.69	3.97	2.16	3.08
Shareholders' equity per share (Cents)		732.89	438.07	206.43	52.17
Middle market price (Cents)		1 850.00	180.00	1 850.00	180.00

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 June 2020

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		June 2020 Audited ZWL'000	June 2019 Audited ZWL'000	June 2020 Supplementary Information ZWL'000	June 2019 Supplementary Information ZWL'000
Shareholders' equity at beginning of the year		512 545	421 702	61 038	23 064
Changes in issued share capital					
Exercise of share options	14	106		11	8
Changes in share premium					
Exercise of share options	1 048	5 821		796	420
Changes in share option reserve					
Recognition of share based payments	4 405	14 493		2 068	984
Transfer from share option reserve due to exercise of share options	(775)	(4 759)		(640)	(344)
Changes in functional currency reserve					
Recognition of foreign currency translation reserve	-	147 700		-	23 204
Transfer to distributable reserves	(147 700)	-		(22 578)	-
Adjustment of foreign currency translation reserve		-		(626)	-
Changes in distributable reserves					
Transfer from share option reserve due to exercise of share options	775	4 759		640	344
Transfer from change in functional currency reserve	147 700			22 578	
Total comprehensive income/(loss) for the year	371 526	(5 317)		193 499	18 055
Dividend paid	(24 729)	(71 960)		(13 197)	(4 697)
Shareholders' equity at end of the year		864 809	512 545	243 589	61 038

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	INFLATION ADJUSTED		HISTORIC COST	
		June 2020 Audited ZWL'000	June 2019 Audited ZWL'000	June 2020 Supplementary Information ZWL'000	June 2019 Supplementary Information ZWL'000
Cash flows from operating activities					
Cash generated from trading after non-cash items	15	608 716	210 131	269 993	26 760
Changes in working capital		(506 358)	(295 029)	(178 789)	(20 330)
Cash generated from/(used in) operations		102 358	(84 898)	91 204	6 430
Net interest income/(expense)		252	1 361	(1)	125
Income tax paid		(146 309)	(107 263)	(45 977)	(6 349)
Net cash (utilised in)/generated from operating activities		(43 699)	(190 800)	45 226	206
Cash flows from investing activities					
Property, plant and equipment	10	(33 475)	(9 155)	(15 662)	(575)
Decrease/(increase) in long term loans		2 346	4 441	(54)	44
Decrease in short term investments		31 901	306 129	3 751	13 632
Net cash generated from/ (used in) investing activities		772	301 415	(11 965)	13 101
Net cash (used in)/generated from operating and investing activities		(42 927)	110 615	33 261	13 307
Cash flow from financing activities					
Dividends paid to owners of the Company		(24 729)	(71 960)	(13 197)	(4 697)
Increase in shareholder funding		1 062	5 927	807	428
Net cash utilised in financing activities		(23 667)	(66 033)	(12 390)	(4 269)
Net movement in cash and cash equivalents		(66 594)	44 582	20 871	9 038
Cash and cash equivalents at beginning of the year		99 328	54 746	11 863	2 825
Cash and cash equivalents at end of the year		32 734	99 328	32 734	11 863
Comprising:-					
Bank balances and cash		32 734	99 328	32 734	11 863

NOTES

For the year ended 30 June 2020

1 Corporate information

"African Distillers Limited is a public company which is listed on the Zimbabwe Stock Exchange and incorporated and domiciled in Zimbabwe. The main business of the Company is the manufacture, distribution and marketing of branded wines, ciders and spirits.

These annual financial statements have been prepared under the supervision of M L Ndachena CA(Z), Executive Director – Finance, a registered Public Accountant, PAAAB Number 2458. The financial statements have been audited in terms of the Companies and Other Entities Act (Chapter 24:31)."

2 Statement of compliance

With the exception of the non-compliance with IAS21 in the prior year, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations

3 Significant accounting policies

Accounting policies are consistent with those used in prior year with no significant impact arising from new and revised International Financial Reporting Standards applicable for the year ended 30 June 2020.

4 Basis of preparation

The condensed financial statements are presented in Zimbabwean dollars. They have been prepared under the inflation adjusted accounting basis in line with the provisions of International Accounting Standard (IAS) 29 - Financial Reporting in Hyperinflationary economies. The Public Accountants and Auditors Board (PAAB) pronounced on 11 October 2019 that the Zimbabwean economy was trading under hyperinflationary conditions. The Directors have applied the guidelines provided by the PAAB and accounting bodies around hyperinflation accounting. Inflation adjusted financial statements have been drawn up using the conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Central Statistical Office. The CPI indices used for periods prior to 22 February 2019 are in respect of the USD functional currency which was in use at the time. The conversion factors used to restate the financial statements are as follows:

	Index	Conversion Factor
30-Jun-20	1,445.21	1.00
30-Jun-19	172.61	8.37
30-Jun-18	62.60	23.08

Historical cost results are included as supplementary information to allow for comparability during the transitional phase of applying the Standard and to meet most user requirements. As a result, the auditors have not expressed an opinion on the historical information.

5 Functional currency change

The financial statements are presented in the ZWL currency that was designated as the sole transactional, functional and reporting currency through Statutory Instrument 142 of 2019 (SI142/19) dated 24 June 2019. In order to fairly present the statement of financial position and reflect the change of currency, the Board re-based the assets and liabilities as at 22 February 2019 at the interbank rate of ZWL2.5 to US\$1. Thus, the Company recognised an increase in the net assets amounting to ZWL147.7 million, which was recorded as a functional currency change non-distributable reserve. This represented a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates in that the gain was not recognized in the statement of profit or loss and other comprehensive income.

6 Share buy back

The Company is holding 2 599 819 (2019: 2 599 819) of its own shares as treasury stock. No additional shares were acquired during the year.

	INFLATION ADJUSTED		HISTORIC COST	
	June 2020 Audited	June 2019 Audited	June 2020 Supplementary Information ZWL'000	June 2019 Supplementary Information ZWL'000
	ZWL'000	ZWL'000		
7 Revenue				
Gross sales	1 328 400	1 143 919	612 129	77 119
Discounts	(27 429)	(47 325)	(15 721)	(3 121)
	<u>1 300 971</u>	<u>1 096 594</u>	<u>596 408</u>	<u>73 998</u>
8 Profit before tax				
This is stated after charging/(crediting) the following items of significance:				
Depreciation	9 384	16 400	2 259	871
Staff costs	126 132	63 837	61 135	7 174
Retirement benefit costs	17 694	3 773	8 075	451
Loss/(profit) from sale of property, plant and equipment	3 147	(45)	363	(27)
Compensation of directors and key management for services as directors	4 918	950	2 483	113
for management services	26 390	14 168	10 221	1 692
9 Taxation				
Current income tax expense	148 151	109 481	62 373	7 585
Deferred tax - Arising on current year temporary differences	81 187	76 480	9 879	(583)
- Arising on change in current tax rate	(8 832)	-	(449)	-
	<u>220 506</u>	<u>185 961</u>	<u>71 803</u>	<u>7 002</u>
10 Property, plant and equipment				
Movement in the property, plant and equipment balance for the year:				
Balance at the beginning of the year	168 731	175 931	21 796	9 080
Capital expenditure	33 475	11 119	15 662	631
Arising from change in functional currency	-	-	(626)	13 399
Utilisation of translation reserve	-	-	-	(412)
Depreciation	(9 384)	(16 400)	(2 259)	(871)
Disposals	(3 147)	(1 919)	(363)	(32)
Balance at the end of the year	<u>189 675</u>	<u>168 731</u>	<u>34 210</u>	<u>21 795</u>
Cash flows				
Acquisition of property, plant and equipment	(33 475)	(11 119)	(15 662)	(631)
Realised on disposal	-	1 964	-	56
	<u>(33 475)</u>	<u>(9 155)</u>	<u>(15 662)</u>	<u>(575)</u>
11 Inventories				
Finished products	179 945	180 787	59 237	12 945
Maturing spirits and wines	3 219	6 656	1 843	795
Raw materials	196 879	112 741	95 947	10 377
Inventories at end of the year	<u>380 043</u>	<u>300 184</u>	<u>157 027</u>	<u>24 117</u>
12 Trade and other receivables				
Trade receivables	95 314	75 994	95 314	9 076
Prepayments - relating to inventory purchases	566 594	127 314	122 255	9 791
Other receivables	1 674	8 490	1 674	1 014
	<u>663 582</u>	<u>211 798</u>	<u>219 243</u>	<u>19 881</u>
13 Short term investments				
Money market investments	67	31 968	67	3 818
This is money held in a savings account at 2.5% (2019-5%)				
All prior year investments had a maximum tenor of 90 days.				
14 Trade and other payables				
Trade payables	83 124	76 375	83 124	9 122
Accruals and other payables	87 747	69 210	87 747	8 266
	<u>170 871</u>	<u>145 585</u>	<u>170 871</u>	<u>17 388</u>