



# AFRICAN DISTILLERS LIMITED

(Incorporated in Zimbabwe)

## AUDITED FINANCIAL INFORMATION FOR YEAR ENDED 30 JUNE 2017

### FINANCIAL HIGHLIGHTS

- Sales volumes up 18%
- Revenue up 13%
- Operating costs down 3%
- Operating income up 55%
- Earning per share up 147%
- Dividend per share up 44%
- Government taxes remitted \$14.6 million

#### CHAIRMAN'S STATEMENT

##### Overview

The Company has produced a strong set of financial results in a challenging macro-economic environment. Demand for products was firm but the Company could not fully satisfy market demand due to intermittent product shortages as a result of severe foreign currency constraints.

All three product categories registered double digit growth in volume, with wines leading the pack at 29%. Spirits continue to be the major revenue contributor at 66%. Ready to Drink (RTDs), ciders and spirit coolers, which contributed 24% to total revenue, registered a 22% volume growth.

##### Financial Performance

Revenue rose by \$2,8 million to \$25 million and operating income increased by \$1,4 million to \$4 million during the period under review. This performance is a result of an 18% volume increase complemented by a reduction in overhead.

The Company incurred a net exchange loss of \$0,36 million due to a significant foreign currency (Rand) exposure of \$2,2 million. The full impact of this was however reduced by interest income of \$0,14 million earned from investment of surplus cash.

The prior year profit after tax was adversely affected by reorganisation costs and an investment write off totalling \$1 million. If the distortion relating to this is removed, the earnings per share and profit after tax would have increased by 31% in the period under review.

The balance sheet is strong with a current ratio of 2.54 compared to 2.28 in prior year and significant cash resources of \$7.5 million.

Cash generated from trading amounted to \$4,8 million, a 64% increase on prior year.

##### Future Prospects

The good agricultural season is expected to improve disposable income and guarantee the country of sufficient food supplies. This will result in a net saving on the food import bill. It is however, likely that foreign currency shortages will continue and this will limit business growth.

Management will continue to focus on efficient conversion of cash resources into raw materials as well as exploring revenue growth opportunities and implementing further cost control measures. This will ensure continued viability and profitability.

##### Dividend

The Board has recommended a final dividend of 0,45 cents per share, resulting in a total dividend of 0,65 cents per share for the year.

##### P Gowero

##### Chairman

18 August 2017

##### Dividend Declaration

Notice is hereby given that the Board of Directors declared a final dividend, number 85 of 0.45 cents per share payable in respect of all the qualifying ordinary shares of the Company. This dividend is in respect of the financial year ended 30 June 2017.

	FINAL DIVIDEND
Dividend Number	85
Announcement Date	24 August 2017
Record Date	08 September 2017
Last Date to Trade	05 September 2017
Ex-Dividend Date	06 September 2017
Payment Date	01 October 2017
Dividend Amount	USD 519 917.36
Dividend per Share	USD 0.0045

The total dividend for the year will amount to \$750 807.74.

By order of the Board

##### L Mutamuko

##### Company Secretary

##### DIRECTORATE

P Gowero (Chairman), \*C Gombera (Managing Director),  
M J Hollingworth, S W Klover, R H M Maunsell, \*M L Ndachena,  
S V Rushwaya, G J Schooling, M M Valela

##### \*Executive Directors

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	June 2017 Audited \$	June 2016 Audited \$
<b>Revenue</b>	4	24 890 506	22 040 884
Cost of sales		(12 768 927)	(11 023 849)
<b>Gross profit</b>		12 121 579	11 017 035
Other income		157 494	67 890
Distribution costs		(624 497)	(629 273)
Administrative expenses		(803 743)	(872 114)
Other operating expenses		(6 794 610)	(6 958 231)
<b>Operating income</b>		4 056 223	2 625 307
Interest income		136 502	8 116
Exchange (loss)/ gain		(360 973)	66 641
Reorganisational costs		-	(905 470)
<b>Profit before taxation</b>	5	3 831 752	1 794 594
Taxation expense	6	(1 069 784)	(675 312)
<b>Profit for the year</b>		2 761 968	1 119 282
Other comprehensive income		-	-
Total comprehensive income		2 761 968	1 119 282
<b>Earning per share (Cents) :</b>			
Attributable		2.39	0.97
Headline		2.39	1.06
Diluted		2.38	0.97

#### STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	June 2017 Audited \$	June 2016 Audited \$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	9 587 829	10 092 981
Long term loans		327 416	479 703
		9 915 245	10 572 684
<b>Current Assets</b>			
Inventories	8	4 488 566	5 100 843
Trade and other receivables	9	4 331 007	3 544 395
Current tax asset	10	206 858	-
Short term investments	11	3 268 117	-
Cash and cash equivalents		4 253 877	2 542 353
		16 548 425	11 187 591
<b>Total Assets</b>		26 463 670	21 760 275
<b>EQUITY AND LIABILITIES</b>			
Capital and Reserves			
Shareholders' equity		18 282 653	15 709 776
<b>Non - Current liabilities</b>			
Deferred taxation		1 664 257	1 136 172
<b>Current Liabilities</b>			
Trade and other payables	12	6 516 760	4 623 076
Current tax liabilities		-	291 251
		6 516 760	4 914 327
<b>Total Liabilities</b>		8 181 017	6 050 499
<b>Total Equity and Liabilities</b>		26 463 670	21 760 275
Ordinary shares in issue (Actual) (millions)		116	115
Ordinary shares in issue (Weighted average) (millions)		115	115
Current ratio ( : 1)		2.54	2.28
Shareholders' equity per share (Cents)		15.90	13.66
Middle market price (Cents)		61.00	45.00

#### STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	June 2017 Audited \$	June 2016 Audited \$
<b>Cash Flow from Operating Activities</b>			
Cash generated from trading after non-cash items	13	4 829 282	2 943 310
Changes in working capital		1 719 349	2 632 723
Cash generated from operations		6 548 631	5 576 033
Interest income		136 502	8 116
Income tax paid		(1 039 809)	(537 604)
Net Cash Inflow from Operating Activities		5 645 324	5 046 545
<b>Cash Flow from Investing Activities</b>			
Property, plant and equipment	7	(350 562)	(684 375)
Decrease in long term loans		152 287	87 271
Increase in short term investments		(3 268 117)	-
<b>Net Cash used in investing Activities</b>		(3 466 392)	(597 104)
<b>Net Cash Inflow from Investing and Operating Activities</b>		2 178 932	4 449 441
<b>Cash Flow from Financing Activities</b>			
Dividends paid		(564 559)	(574 626)
Increase in shareholder funding		97 151	36 540
Decrease in short term borrowings		-	(1 873 959)
		(467 408)	(2 412 045)
<b>Net movement in cash and cash equivalents</b>		1 711 524	2 037 396
Cash and cash equivalents at beginning of the year		2 542 353	504 957
<b>Cash and cash equivalents at end of the year</b>		4 253 877	2 542 353
<b>Comprising:-</b>			
Bank balances and cash		4 253 877	2 542 353

#### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 June 2017

	June 2017 Audited \$	June 2016 Audited \$
<b>Shareholders' equity at beginning of the year</b>	15 709 776	14 967 838
Changes in Issued share capital		
Exercise of share options	2 312	2 610
<b>Changes in share premium</b>		
Exercise of share options	94 839	33 930
<b>Changes in Share option reserve</b>		
Recognition of share based payments	278 317	160 742
Transfer from share option reserve due to exercise of share options	(18 713)	(15 552)
<b>Changes in Distributable reserves</b>		
Transfer from share option reserve due to exercise of share options	18 713	15 552
Total comprehensive income for the year	2 761 968	1 119 282
Dividend paid	(564 559)	(574 626)
<b>Shareholders' equity at end of the year</b>	18 282 653	15 709 776

##### NOTES

For the year ended 30 June 2017

**1 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 as well as the Companies Act (Chapter 24:03). There is no significant impact arising from new and revised International Financial Reporting Standards applicable for the year ended 30 June 2017.

**2 Currency of reporting:**  
The Financial Statements are presented in United States Dollars, the functional currency of the Company.

**3 Share buy back**  
The company is holding 2 499 819 of its own shares as treasury stock. No additional shares were bought during the year under review.

	June 2017 Audited \$	June 2016 Audited \$
<b>4 Revenue</b>		
Gross sales	36 712 707	32 500 788
Excise duty, royalty & discounts.	(11 822 201)	(10 459 904)
	24 890 506	22 040 884

**5 Profit before tax**  
This is stated after charging the following items of significance:  
External audit fees 68 000 68 000  
Depreciation 854 308 892 212  
Staff costs 4 449 739 4 246 312  
Retirement benefit costs 398 072 445 661  
Impairment - Springvale Estate - 109 266  
Loss from sale of property, plant and equipment 1 407 103 878  
Compensation of directors and key management for services as directors 83 035 88 386  
for management services 1 034 922 1 135 545

**6 Taxation**  
Current income tax expense 541 699 561 531  
Deferred tax - Arising from current year temporary differences 528 085 113 781  
1 069 784 675 312

**7 Property, plant and equipment**  
Movement in the property, plant and equipment balance for the year:  
Balance at the beginning of the year 10 092 981 10 404 696  
Capital expenditure 383 266 723 997  
Depreciation (854 308) (892 212)  
Disposals (34 110) (143 500)  
Balance at the end of the year 9 587 829 10 092 981

**Cash flows**  
Acquisition of property, plant and equipment ( 383 266) ( 723 997)  
Realised on disposal. 32 704 39 622  
( 350 562) ( 684 375)

**8 Inventories**  
Finished products 1 483 693 2 367 940  
Maturing spirits and wines 214 038 227 517  
Raw materials 2 790 835 2 505 386  
Inventories at end of the year 4 488 566 5 100 843

**9 Trade and other receivables**  
Trade receivables 3 613 267 3 025 724  
Prepayments and other 717 740 518 671  
4 331 007 3 544 395

**10 Current tax asset**  
Tax refund receivable 206 858 -

**11 Short term investments**  
Money market investments 3 268 117 -  
These have a tenor of 90 days at a rate of 6% per annum.

**12 Trade and other payables**  
Trade payables 3 372 925 1 674 018  
Accruals and other payables 3 143 835 2 949 058  
6 516 760 4 623 076  
The average credit period on purchases is 60 days.

**13 Cash generated from trading**  
Operating income 4 056 223 2 625 307  
Realised exchange (loss)/gain (259 409) 84 056  
Reorganization cost - (905 470)  
Depreciation 854 308 892 212  
Loss on disposal of property, plant and equipment 1 407 103 878  
Share option expense 278 317 160 742  
Unrealised exchange loss (101 564) (17 415)  
4 829 282 2 943 310

**14 Commitments for capital expenditure:**  
The Company has no firm capital commitments - (2016- \$ nil).

**15 Contingent liabilities**  
The company has no contingent liabilities, current or pending.

**16 Audit Opinion**  
These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 June 2017, which have been audited by Deloitte & Touche Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing and an unqualified audit opinion has been issued thereon. The auditors have included a section on key audit matters. The key audit matters were on valuation of receivables, share based payments valuation and revenue recognition. The auditors' report on these financial results is available for inspection at the Company's registered office.

Any reference to future financial performance and operational information included in this announcement has not been audited or reported by the Company's external auditors.