AFRICAN DISTILLERS LIMITED

Annual REPORT 2017

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Company Profile

30 June 2017

The core business of African Distillers Limited is the manufacture, distribution and marketing of branded wines, ciders and spirits for the Zimbabwean market and for export.

HISTORICAL PROFILE

In April 1944, P J Joubert Limited was registered in Bulawayo. In 1946, this Company changed its name to African Distillers (Rhodesia) Limited. Initially, its activities were centred around the sale and distribution of imported spirits, liqueurs and wines. During the same year a distillery was acquired in Mutare, and the local production of a range of spirits commenced. In 1951 African Distillers became a public quoted Company. In 1974, the Company moved to its present headquarters at Stapleford, a complex just outside Harare which houses production, warehousing and distribution facilities.

The Company has six depots in Bulawayo, Harare, Kwekwe, Masvingo, Mutare and Victoria Falls which ensure a first-class distribution service. These outlets are supplemented by Customer Collection Depots countrywide.

MISSION AND CORE VALUES

Vision
To be the most dynamic and preferred manufacturer and marketer of quality branded beverages for every occasion in Zimbabwe.

Mission
To sustainably grow the profitability and value of our business by providing branded quality beverages for our consumers.

Core values
Our people are our greatest strength
- Our people are crucial to the achievement of our business goals.
- We provide a great place to work where each and every one of our people is inspired to be the best they can be.
- We believe that our organisation is stronger for having people of diverse backgrounds, traits and paradigms.
- We interact with each other and with all our stakeholders with trust, mutual respect and integrity.
- We value human life above all else and manage risks accordingly.

We believe in the power of working in teams.
- Our success is team-driven.
- We believe in sharing knowledge and knowhow throughout our organisation.
- We work in teams that demonstrate discipline, commitment and dedication.
- We encourage everyone to participate and collaborate with each other.
- We act with a sense of ownership and strive for excellence.

We hold ourselves accountable for the commitments we make as individuals and as teams.
- We ensure that all employees' roles are clearly defined and that all deliverables are accounted for.
- We ensure that our mission, goals and objectives are aligned and clearly articulated.
- We value performance management as the way to effectively drive individual and business performance.
- We balance short and long term results.
- We conduct ourselves with passion and seriousness of purpose in our pursuit of our goals.

We value openness and frankness in all our communications with each other.
- We encourage our people to express different views and opinions.
- We communicate with openness and frankness with each other.
- We communicate sincere feedback to each other without offensive intent.
- Honesty and integrity are characteristic of all our communications and social interactions.
- We keep our promises.

We foster an entrepreneurial spirit to enhance continuous improvement and innovation in all our work.
- We are a learning organisation that believes in life-long-learning.
- We anticipate and respond to changing customer, consumer, employee and community needs.
- We demand, recognise and reward excellence.
- We invest in our people, empower them and realise the potential of everyone through appropriate training and development.

We care for our customers, consumers and communities.
- Our success is founded on an intimate understanding of our customers, consumers and communities.
- We believe that we succeed only when we exceed the expectations of our consumers.
- We strive to refresh our consumers, reward our stakeholders and enhance the lives of our local communities.
- We have a passion for responsibly serving our customers with excellence.

Company Profile (continued)

30 June 2017

We are responsible corporate citizens.

- We avoid conflicts of interest but will declare situations where they may occur.
- We endeavour to ensure the use of safe and reliable materials and services in all our processes.
- We are committed to and encourage responsible marketing and consumption of alcoholic beverages.
- We comply with the laws of the countries in which we do business.
- We are an equal opportunity employer.
- We endeavour to make a positive difference to our communities.
- We commit to respect our environment – we subscribe to the principle of sustainable development.

Financial Highlights

30 June 2017

SUMMARY	2017 USD	2016 USD	2015 USD	2014 USD	2013 USD
Revenue	24 890 506	22 040 884	25 064 987	23 952 028	22 091 417
Operating income	4 056 223	2 625 307	3 840 953	2 996 504	1 660 912
EBITDA	4 910 531	2 612 047	4 520 874	3 342 513	1 763 347
Profit before taxation	3 831 752	1 794 594	4 026 505	2 802 851	1 213 127
Profit attributable to shareholders	2 761 968	1 119 282	3 112 501	2 077 531	808 767
Headline earnings	2 763 375	1 223 162	2 898 035	2 137 037	795 176
Interest bearing debt	-	-	1 873 959	-	2 882 523
Net cash on hand	4 253 877	2 542 353	504 957	448 589	(2 793 698)
Total assets	26 463 670	21 760 275	22 238 121	19 501 397	13 930 330
SHARE PERFORMANCE					
Number of ordinary shares in issue (millions)	116	115	115	111	95
Market capitalisation	70 477 687	51 887 711	57 522 512	33 406 507	31 417 275
Number of ordinary share holders	750	747	780	786	827
Middle market price (cents)	61	45	50	30	33
Attributable earnings per share (cents)	2.39	0.97	2.75	2.01	0.85
Headline earnings per share (cents)	2.39	1.06	2.56	2.07	0.90
Diluted earnings per share (cents)	2.38	0.97	2.72	1.96	0.83
Dividend per share (cents)	0.65	0.45	0.57	0.45	-
Net asset value per share (cents)	15.82	13.62	13.01	11.73	6.25
FINANCIAL STATISTICS					
Return on shareholders' equity (%)	15	7	21	16	14
Dividend cover (times)	3.67	2.16	4.75	4.16	-

Chairman's Statement

30 June 2017

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

Net turnover 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 $0.137 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, anticipated 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

Review of Operations

30 June 2017

The trading environment was constrained by continued decline in disposable incomes which had a negative impact across most beverage categories. The general shortages of bank notes in the market further added to the already difficult trading conditions. All suppliers struggled to meet demand due to the shortage in foreign currency. Despite these setbacks, volumes and turnover for the business recorded growth rates of 18% and 13% on prior year respectively.

Spirit Business

Spirits volumes grew by 10% on prior year as the broad category benefited from marketing strategies and activities put in place during the year. These included upgrading of packs and reposition of Gold Blend in the whisky category. Gaps created by competitors' inability to supply were also exploited. Growth was achieved in Brandy, Whisky, Cane, Gin and Vodka product categories by strategically positioning brands to cover a broad cross section of spirits consumers. In a remarkable turnaround white spirits grew by 42% driven by solid performance from Cane and Vodka. This product sub-category remains very competitive, price sensitive and devoid of brand loyalty.

Ready-To-Drink (RTD) Business

Volumes and revenue grew by 22% and 16% on prior year respectively despite supply constraints. Demand for products in this category remained very firm as ciders volume grew by 30%. Growth could have been even better had it not been for bottlenecks which arose from raw material shortages due to unavailability of foreign currency. The recent brand extension on Hunters Cider, Hunters Edge, will result in a wider appeal of this product category. Supply limitations affected the performance of Spirit Coolers which declined by 19%.

Wine Business

This category remains the smallest in the business contributing slightly less than 10% of total volumes but growing. Still wines grew by 31% on prior year anchored on the solid performance of the Nederburg range of wines. The strategic and growing 'sweet wine' segment continued to offer market growth opportunities which the business exploited through offering 4th Street, a brand now firmly established in the market. Recent entry into the market by affordable imported brands pose a threat to the brand and counter strategies are already in place to defend market share.

Local wine brand Green Valley grew by 15% on prior year following packaging and product upgrades.

Manufacturing

Output increased from 6.1 million litres in F16 to 6.4 million litres in F17. Raw material constraints due to foreign currency shortages impacted on factory productivity. Strong supplier relationships ensured continued production of key products. Entrenchment of the Food Safety Management System (FSSC 22000) throughout the organisation has ensured quality ownership at source and resulted in consumer confidence in Afdis capability to meet international standards.

Directors' Report

30 June 2017

The Directors present their sixty seventh annual report to shareholders together with the audited financial statements for the year ended 30 June 2017.

FINANCIAL RESULTS

	30 June 2017 USD	30 June 2016 USD
Operating income	4 056 223	2 625 307
Interest income	136 502	8 116
Exchange (loss)/gains	(360 973)	66 641
Reorganisation costs	-	(905 470)
Profit before taxation	3 831 752	1 794 594
Taxation expense	(1 069 784)	(675 312)
Profit for the year	2 761 968	1 119 282
Other comprehensive income	-	-
Total comprehensive income for the year	**2 761 968**	**1 119 282**

FINANCIAL HIGHLIGHTS

	30 June 2017	30 June 2016
Statement of Financial Position Ratios (:1)		
Current ratio	2.54	2.28
Acid test ratio	1.85	1.24
Share Performance:		
Ordinary shares in issue	115 537 191	115 306 024
Middle market price (cents)	61	45
Market capitalisation (USD)	70 477 687	51 887 710
ZSE industrial index	195.97	123.67

Dividends

A dividend of 0.45 cents per share has been proposed. This brings the total dividend for the year ended 30 June 2017 to 0.65 cents per share.

SHARE CAPITAL

Authorised

At 30 June 2017, the authorised share capital of the Company is 150 000 000 (2016:150 000 000) ordinary shares of US$0.01.

Issued and fully paid up shares

The issued share capital at 30 June 2017 is 115 537 191 ordinary shares (2016: 115 306 024 shares).

Options

In terms of an Employees' Share Option Scheme, options outstanding at 30 June 2017 were 2 676 833 (2016 - 2 000 000). There are Nil (2016 - 1 000 000) unallocated options at year end.

RESERVES

The movements in the reserves of the Company are shown in the Statement of Changes in Shareholders' Equity.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure for the year ended 30 June 2017 was $383 266 (2016 – $723 997), while receipts from disposal of property, plant and equipment were $32 704 (2016 - $39 622).

Directors' Report (continued)

30 June 2017

Borrowing Powers
The details of the Company's borrowing powers appear in Note 23 to the financial statements.

Directors and their interests
In terms of Article 99 of the Company's Articles of Association, Messrs S V Rushwaya, M J H Hollingworth and G J Schooling retire from the Board by rotation but, being eligible, offer themselves for re-election.

At 30 June 2017, the Directors held, directly and indirectly, 1 048 998 (2016: 1 203 998) shares being 0.91% (2016: 1.04%) of the issued share capital of the Company. This holding is detailed in Note 17.4 of the financial statements. No change in the interest of Directors has taken place between the financial year-end and the date of this report.

Board Committee Meetings Attendance
Details of attendance by the Directors at Board and Committee meetings during the financial year ended 30 June 2017 are set out below:

	Main Board		Audit Committee		Remuneration Committee	
Name of Director	**Attended**	**Possible**	**Attended**	**Possible**	**Attended**	**Possible**
P. Gowero	4	4	-	-	-	-
M. J. Hollingworth	3	4	-	-	-	-
C. Gombera	4	4	2	2	2	2
S. W. Klopper	1	4	-	-	-	-
R. H. Maunsell	4	4	2	2	-	-
M. Ndachena	4	4	2	2	-	-
S. V. Rushwaya	4	4	2	2	2	2
G. J. Schooling	3	4	2	2	2	2
M. Valela	3	4	1	2	1	2

DIRECTORS' EMOLUMENTS

Members will be asked to confirm the Directors' fees of $83 035 (2016 - $88 386) for the year ended 30 June 2017, and to approve the recommendations of the remuneration committee for the fees for the year ended 30 June 2018.

AUDITORS

Members will be asked to re-appoint Messrs Deloitte & Touche as auditors of the Company for the ensuing year and to fix their remuneration, excluding value added tax, of $68 000 (2016 - $68 000) for the financial year ended 30 June 2017.

ANNUAL GENERAL MEETING

The sixty seventh Annual General Meeting of the Company will be held at 11am on Thursday 09 November 2017, at the registered office of the Company.

By Order of the Board

P. Gowero
Chairman

C. Gombera
Managing Director

18 August 2017
Harare

Corporate Governance

30 June 2017

African Distillers Limited follows the principles and general guidelines set out by the King Reports on Corporate Governance. The Company also complies with the Zimbabwe Stock Exchange requirements and other regulatory authorities.

AFDIS CODE

African Distillers Limited personnel are committed to a long-published code of ethics. This incorporates the Company's operating, financial and behavioural policies in a set of integrated values, which include the ethical standards required of members of the Afdis family in their interface with one another and with all stakeholders.

There are detailed policies and procedures in place covering the regulation and reporting of transactions in securities of the Company by directors and officers.

DIRECTORATE

The Board of Directors comprises seven non-executive directors and two executive directors who meet at least quarterly. These directors are subject to retirement by rotation and re-election by Shareholders at least once every three years in accordance with the Company's Articles of Association. Appointments of new directors, approved by the Board are subject to ratification by shareholders. The Board is chaired by a non-executive director.

DIRECTORS' INTERESTS

As provided by the Companies Act (Chapter 24:03) and the Company's Articles of Association, the Directors are bound to declare during the year, in writing, whether they have material interests in any contracts of significance with the Company which could give rise to conflict of interest. No such conflicts were reported this year.

AUDIT COMMITTEE

R. H. M. Maunsell – Chairman
The Audit Committee comprises four non-executive directors and the Managing Director. A non-executive director chairs the committee which meets twice a year. External auditors review accounting, auditing, financial reporting, internal control and risk management issues. The external auditors are appointed each year based on recommendations of the Audit Committee. An internal audit function is also in place.

REMUNERATION COMMITTEE

M. Valela - Chairman
The Remuneration Committee is chaired by a non-executive director. The Committee is responsible for reviewing the organisational structure in line with the strategy and make recommendations to the Board. It also recommends the remuneration of executive directors and senior executives.

RISK MANAGEMENT

The risk management process at African Distillers Limited involves the identification, assessment and prioritisation of risk that may impact the achievement of strategic business objectives. The environment in which the Company operates is subject to change and regular assessment of risk is necessary.

The Board, through the Audit Committee is ultimately responsible for maintaining risk management strategies for the Company and monitoring performance through regular assessment. The Board Audit Committee meets twice a year to consider issues relating to financial and accounting controls as well as risk management.

Directors' Responsibility Statement

30 June 2017

To the Members of African Distillers Limited:

The Directors of the Company are responsible for the preparation and integrity of the annual financial statements and the related financial information included in this report. The Company's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 13. The external auditors are responsible for independently auditing and reporting on these financial statements in conformity with international standards.

The Company's Directors are required by the Zimbabwe Companies Act (Chapter 24:03) to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit and cash flows for the period. In preparing the accompanying financial statements, International Financial Reporting Standards (IFRS) have been followed, suitable accounting policies have been used, and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements incorporate full and responsible disclosure in line with the Company accounting philosophy.

The Directors have reviewed the Company's budget and cash flow forecast for the year to 30 June 2018. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the Directors are satisfied that, notwithstanding the uncertainty in the economy, African Distillers Limited is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The Company's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins the Company's internal financial control process.

The Board and management are responsible for the Company's systems of internal control and, in order to comply with these responsibilities, management is required to maintain accurate accounting records and to ensure that adequate systems of internal control are in place. The control systems include accounting and control policies and procedures, defined lines of accountability and delegation of authority and comprehensive financial reporting and analysis. These systems are designed to provide reasonable but not absolute assurance, as to the integrity and reliability of the financial information and also to safeguard, verify and maintain accountability of its assets. They are also designed to minimise fraud and loss. The responsibility for operating the systems is delegated to the Executive Directors who confirm they have reviewed their effectiveness.

The Directors have satisfied themselves that these systems and procedures have been implemented, maintained and monitored by appropriately trained personnel with suitable segregation of authority, duties and reporting lines. The senior executives have signed a representation letter on this compliance. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal controls, procedures and systems has occurred during the period under review.

The Company's external auditors have reviewed and tested appropriate aspects of internal financial control systems during the course of their statutory examinations of the Company.

The Company's Audit Committee has met the external auditors to discuss their reports on the results of their work, which include key control areas and no breakdowns involving material loss have been reported to the Directors in respect of the year under review.

These annual financial statements for the year ended 30 June 2017 which appear on pages 17 to 40 have been approved by the Board of Directors on 17 August 2017 and signed on their behalf by:

P. Gowero
Chairman

C. Gombera
Managing Director

18 August 2017
Harare

Financial Information

Report of the Independent Auditors

30 June 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of African Distillers Limited ("the Company"), which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out on pages 17 to 40.

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Distillers Limited as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Public Accountants and Auditors Board (PAAB) Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td colspan="2">Valuation and recoverability of receivables
Refer to policy note 3.13 and 4 of the financial statements for the Company's policy on determining this allowance for credit losses.</td></tr>
<tr><td>As at 30 June 2017, the company had gross trade and other receivables of $4.7 million (2016 – $3.9 million) and a provision for impairment losses of $0.37 million (2016 – $0.41 million). Refer note 13.

As disclosed in note 4, significant judgements are applied in establishing an appropriate impairment provision against receivables.

The key considerations in determining the provision include:
• the customer's payment history, particularly past default experiences;
• indications of financial difficulties for the customer; and
• credit terms specific to the customers.

Accordingly, given the level of judgement involved in the determination of the provision and the macro-economic environment, which is characterised by liquidity constraints and increasing credit risks, we identified the valuation and recoverability of receivables to be a key audit matter.</td><td>In responding to the identified matter, our audit procedures included the following:
• Evaluating the design and implementation of controls in the revenue business process;
• Testing the accuracy of the receivables age analysis;
• Testing a selection of trade receivables through direct confirmation and verification of subsequent receipts;
• Reviewing, on a sample basis, trade agreements for selected customers for any variances between the credit limits initially set using the internal credit scoring system and the credit granted;
• Correspondence with the Company's legal counsel on any litigation against debtors so as to perform the following:
- An identification of debtors with whom there is ongoing litigation; and
- An assessment of the completeness of the provision given their assessment of success for the Company.
• Performance of a retrospective review of the provision for credit losses against recoveries and write-offs in the current year; and
• Assessment of the reasonableness of the methods and assumptions used by management to estimate the allowance for credit losses.

We found that the directors applied reasonable judgements in assessing whether a trade or other receivable was impaired or recoverable.

We consider the disclosures around receivables detailed and complete.</td></tr>
</table>

30 June 2017

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td colspan="2">Share based payments valuation
Refer to policy note 3.5 and 4 of the financial statements for the Company's policy in the valuation of share-based payments.</td></tr>
<tr><td>The determination of the fair values of the share based option scheme is a complex area, which requires the use of judgement and estimation.

At each reporting date, management estimate the number of equity instruments expected to vest.

As disclosed in note 17.5 the key assumptions in the Black Scholes pricing model are:
• Expected share price volatility,
• Dividend yield; and
• The risk free interest rate.

The Company recognised a share option expense of US$278 317 for the year ended 30 June 2017.</td><td>In evaluating the share based option scheme, the following procedures were performed:
• Our internal valuation experts performed the following:
- An assessment of the reasonableness of as well as the rationale for management assumptions; and
- A review of inputs applied by management against market data and historical information pertaining to the Company.
• Testing of selected inputs underpinning the Black Scholes valuation model employed in the valuation process as follows:

- share price volatility – this was assessed against historical trends in the share price;
- dividend yield rate – this was assessed against historical dividend declaration data and events subsequent to reporting date; and
- the risk free interest rate – this was assessed against rates reported by independent reputable media publications for treasury bills.
• We assessed the competence, capabilities and objectivity of the expert and evaluated the adequacy of the work performed by the expert through testing key input factors in the valuation model for accuracy; and
• We performed a sensitivity analysis on the key inputs.

We found the measurement of the share options to be appropriate.

We found the related disclosures to be detailed, relevant and useful.</td></tr>
<tr><td colspan="2">Revenue recognition
Refer to policy note 3.9 of the financial statements for the Company's policy on recognition of revenue.</td></tr>
<tr><td>As disclosed in note 5, the Company recorded revenues of $24.9 million (net of excise duties, royalties and discounts) arising from the sale of spirits, ready to drink ciders and wines (2016 – $22 million).

The accurate application of the revenue recognition policies, in accordance with International Accounting Standard 18 - Revenue is paramount to the accurate reporting of revenue. This is affected by the following issues:
• Discounts, excise duties and royalties; and
• Profitability based incentives available to management, which could be a driver for overstatement of revenue.

Given the above, revenue recognition was considered a key audit matter.</td><td>We performed the following procedures:
• Evaluating the design and implementation of controls in the revenue business process, from invoicing of customers, route settlements and recording of revenue;
• Testing the operating effectiveness of the identified controls;
• Evaluating the appropriateness of revenue recognition policies, particularly the following:
- sales near year end; and
- treatment of customer discounts and royalties
• Analytical reviews on sales to assess the trends, as compared to prior years;
• We engaged our IT specialists in the re-computation of revenue, using computer-assisted audit techniques, and from an analysis of inventory movements during the year.

We found the recognition of revenue to be appropriate.

We found the disclosures to be appropriate.</td></tr>
</table>

Report of the Independent Auditors (continued)

30 June 2017

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Company profile, financial highlights, Chairman's Statement, Review of operations, Directors' Report, Corporate Governance Statement and Directors' Responsibility Statement, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03), and Statutory Instruments (SI 133/99 and SI 62/96), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Report of the Independent Auditors (continued)

30 June 2017

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brian Mabiza.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI33/99 and SI62/96.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: Brian Mabiza
Partner
PAAB Certificate number 0447

23 August 2017

Deloitte.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	2017 USD	2016 USD
Revenue	5	**24 890 506**	**22 040 884**
Cost of sales		(12 768 927)	(11 023 849)
Gross profit		**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)
Operating income	6	**4 056 223**	**2 625 307**
Interest income		136 502	8 116
Exchange (loss)/gains		(360 973)	66 641
Reorganisation costs	7	-	(905 470)
Profit before taxation		3 831 752	1 794 594
Taxation expense	8	(1 069 784)	(675 312)
Profit for the year		**2 761 968**	**1 119 282**
Other comprehensive income		-	-
Total comprehensive income for the year		**2 761 968**	**1 119 282**
Weighted average number of shares in issue (millions)			
Earnings per share (Cents):		**115**	**115**
Attributable earnings	9.1	2.39	0.97
Headline earnings	9.2	2.39	1.06
Diluted earnings	9.3	2.38	0.97

Statement of Financial Position

as at 30 June 2017

	Note	2017 USD	2016 USD
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	9 587 829	10 092 981
Long term loans	11	327 416	479 703
		9 915 245	**10 572 684**
Current Assets			
Inventories	12	4 488 566	5 100 843
Trade and other receivables	13	4 331 007	3 544 395
Current tax asset	14	206 858	-
Short term investments	15	3 268 117	-
Bank balances and cash	16	4 253 877	2 542 353
		16 548 425	**11 187 591**
Total Assets		**26 463 670**	**21 760 275**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	17	1 130 873	1 128 561
Share premium		4 341 990	4 247 151
Share option reserve		454 157	214 553
Non-distributable reserves		5 361 409	5 361 409
Accumulated profit		6 994 224	4 758 102
		18 282 653	**15 709 776**
Non-Current Liabilities			
Deferred taxation	18	1 664 257	1 136 172
Current Liabilities			
Trade and other payables	19	6 516 760	4 623 076
Current tax liability		-	291 251
Total Current Liabilities		**6 516 760**	**4 914 327**
Total Liabilities		**8 181 017**	**6 050 499**
Total Equity and Liabilities		**26 463 670**	**21 760 275**

P. Gowero
Chairman

C. Gombera
Managing Director

18 August 2017

Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 USD	2016 USD
CASH FLOW FROM OPERATING ACTIVITIES			
Operating income before finance costs and taxation	20.1	3 796 814	1 803 893
Adjustments for non-cash items	20.2	1 032 467	1 139 417
Cash generated from operations after non-cash items		4 829 281	2 943 310
Changes in working capital	20.3	1 719 349	2 632 723
Cash generated from operations		6 548 630	5 576 033
Interest income		136 502	8 116
Income tax paid	20.4	(1 039 808)	(537 604)
Net Cash Inflow from Operating Activities		**5 645 324**	**5 046 545**
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment	20.5	(350 562)	(684 375)
Increase in short term investments		(3 268 117)	-
Decrease in long term loans		152 287	87 271
Net Cash Outflow from Investing Activities		**(3 466 392)**	**(597 104)**
Net Cash Inflow from Investing and Operating Activities		**2 178 932**	**4 449 441**
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in short term borrowings		-	(1 873 959)
Increase in shareholder funding	20.6	97 151	36 540
Dividend paid to owners of the company		(564 559)	(574 626)
Net Cash Outflow from Financing Activities		**(467 408)**	**(2 412 045)**
Net Movement in Cash and Cash Equivalents		**1 711 524**	**2 037 396**
Cash and Cash Equivalents at the Beginning of Year		**2 542 353**	**504 957**
Cash and Cash Equivalents at the End of the Year		**4 253 877**	**2 542 353**
Comprising:-			
Bank balances and cash		**4 253 877**	**2 542 353**

Statement of Changes In Shareholders' Equity

for the year ended 30 June 2017

	Share Capital USD	Share Premium USD	Share Opinion Reserve USD	Non-Distributable Reserve USD	Accumulated Profit USD	Total USD
Balance at 30 June 2015	**1 125 951**	**4 213 221**	**69 363**	**5 361 409**	**4 197 894**	**14 967 838**
Recognition of share based payment expense	-	-	160 742	-	-	160 742
Issue of shares under employees share option plan	2 610	33 930	-	-	-	36 540
Transfer from share option reserve	-	-	(15 552)	-	15 552	-
Total comprehensive income for the year	-	-	-	-	1 119 282	1 119 282
Dividend paid	-	-	-	-	(574 626)	(574 626)
Balance at 30 June 2016	**1 128 561**	**4 247 151**	**214 553**	**5 361 409**	**4 758 102**	**15 709 776**
Recognition of share based payment expense	-	-	278 317	-	-	278 317
Issue of shares under employees share option plan	2 312	94 839	-	-	-	97 151
Transfer from share option reserve	-	-	(38 713)	-	38 713	-
Total comprehensive income for the year	-	-	-	-	2 761 968	2 761 968
Dividend paid	-	-	-	-	(564 559)	(564 559)
Balance at 30 June 2017	**1 130 873**	**4 341 990**	**454 157**	**5 361 409**	**6 994 224**	**18 282 653**

Notes to the Financial Statements

for the year ended 30 June 2017

1. NATURE OF BUSINESS

The main business of the Company is the manufacture, importation and wholesale distribution of spirits and wines. The Company is incorporated in Zimbabwe and is a subsidiary of Afdis Holdings (Private) Limited, a company which is also incorporated in Zimbabwe. The address of the Company's registered offices and principal place of business is disclosed on page 47.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 New and revised IFRS with no material effect on current reporting

In the current year, the Company adopted the following new and revised IFRS and annual improvements to IFRS with no significant impact on the financial statements.

- IFRS 11 – Accounting for Acquisitions of Interest in Joint Operations. IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. (Effective for annual periods beginning on or after 1 January 2016).
- IAS 27 – Equity Method in Separate Financial Statements. IAS 27 amendments allow an entity to optionally account for investments in subsidiaries, joint ventures and associates in its separate financial statements, at cost; in accordance with IAS 39 or IFRS 9 and using the equity method. (Effective for annual periods beginning on or after 1 January 2016).
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – clarify issues that arose in the context of applying the consolidation exception for investment entities. (Effective for annual periods beginning on or after 1 January 2016).
- IFRS 14 – Regulatory Deferral Accounts (Effective 1 January 2016)
  IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
- Revision on Investment Entities: Applying the Consolidation Exception, IFRS 10, IFRS 12 and IAS 28 clarifies specific issues raised by users in applying the consolidation exceptions (Effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements 2012-2014 Cycle (Effective 1 January 2016)
  Makes amendments to the following standards:
  - IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
  - IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
  - IFRS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
  - IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross -reference.
- Disclosure Initiative (Amendments to IAS 1) (Effective 1 January 2016)
  Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
  - clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; and
  - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

2.2 New and revised IFRS in issue, but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective nor applied by the Company:

- IFRS 9 – Financial Instruments. IFRS 9 introduces new requirements for the classification and measurement of financial instruments (effective on annual periods beginning on or after 1 January 2018).
- IFRS 15 – Revenue from Contracts with Customers. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will super cede the current revenue recognition guidance including IAS 18 Revenue (effective on annual periods beginning on or after 1 January 2018 with earlier application permitted).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration-addresses foreign currency transactions or parts of transactions where:
    - there is consideration that is denominated or priced in a foreign currency;
    - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
    - the prepayment asset or deferred income liability is non-monetary.

    (Applicable to annual reporting periods beginning on or after 1 January 2018).
- IFRIC 23 Uncertainty over income tax treatments-the interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
    - whether tax treatments should be considered collectively;
    - assumptions for taxation authorities' examinations;
    - the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
    - the effect of changes in facts and circumstances.

    (Applicable to annual reporting periods beginning on or after 1 January 2019).
- IFRS 2 Share Based Payments - clarifies the standard in relation to the accounting for cash settled share based payment transactions that include a performance condition, the classification of share based payment transactions with net settlement features, and the accounting modifications of share based payment transactions from cash settled to equity settled. (Effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 – Leases. IFRS 16 addressed issues raised by users on the need to record operating lease assets and related depreciation and interest expense. Previously, the operating lease contracts were recorded off balance sheet, with the lease payments being straight –lined over the lease period. (Effective for annual periods beginning on or after 1 January 2019).
- Revision of IAS 12 Income Taxes – clarifies issues to do with deferred tax arising from debt instruments measured at fair value for accounting at cost for tax purposes, estimates for future taxable losses and utilisation of future asset tax utilisation (Effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Effective for annual periods beginning on or after 1 January 2018):
    - IFRS 1 First Time Adoption of IFRS - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
    - IAS 28 Investments in Associates and Joint Ventures - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Management have done an initial assessment of these standards on future financial statements and have determined that these will not have a material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards, promulgated by the International Accounting Standards Boards (IASB). The financial statements have been prepared in compliance with Zimbabwe Companies Act (Chapter 24:03) and the relevant statutory instruments (SI33/99) and SI62/96).

3.2 Basis of Preparation

The financial statements of the Company are prepared under the historical cost convention, except for the fair valuation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

3.3 Property, Plant and Equipment

These are stated at their cost less related accumulated depreciation and accumulated impairment losses. The estimated useful lives, residual values, and depreciation method are reassessed each year, with effect of any changes in estimate accounted for on a prospective basis.

Computer hardware is stated at cost less accumulated depreciation. Software up-grades are written off in the year of purchase.

Depreciation is not provided on freehold land, or capital work in progress. It is provided on other property, plant and equipment as is deemed appropriate, so as to reduce carrying amounts to their residual values over their estimated useful lives as stated below.

Asset Category	Method	Estimated Useful Lives
Buildings	Straight line	40 years
Plant & Machinery	Straight line	2 – 20 years
Motor Vehicles	Straight line	3 – 40 years
Office Equipment	Straight line	3 – 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value, allowance being made for obsolescence and deterioration. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost is determined on the following basis:

Raw materials	Weighted average cost
Maturing wines, spirits and finished goods	Weighted average cost. Where applicable, an appropriate share of overhead expenses is included. Out of bond inventories also include excise and customs duties.

3.5 Share Based Payments

The Company issues share options to certain employees. The options are valued at fair value at the date of grant. The fair value determined is expensed on straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. The fair value is calculated using the Black-Scholes option pricing model, as adjusted for dividends by Robert Merton. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions as regards closed periods and behavioural considerations. The value transferred to the share options reserve is amortised to retained earnings as the related share options are exercised or forfeited.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.6.1 Current Taxation

Current income taxation charge is determined by applying the current rate of income taxation to income for the year, after taking into account allowances on capital expenditure, income that is not subject to taxation, disallowable expenditure and losses brought forward from prior years. Capital gains tax is determined on the profit arising on the sale of specified assets at the current rate of capital gains tax.

3.6.2 Deferred Taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.6.3 Current and Deferred Taxation for the Year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.7 Foreign Currency Transactions and Balances

These financial statements are presented in United States Dollars (USD), which is also the functional currency of the Company. Transactions in other foreign currencies are translated to USD at the rate of exchange prevailing at dates of transactions. Exchange gains or losses on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur (therefore forming part of the net investment in the foreign operation,) which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Assets and liabilities in other foreign currencies are translated to USD at the official rates ruling at reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.9 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods and services provided in the normal course of business, net of discounts, value added tax and excise and customs duties. Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.10 Retirement Benefit Costs

The Company operates a defined contribution plan for all eligible employees. The scheme is funded by payments from employees and by the Company, and the assets are held in various funds which are independently administered. The Company's contributions are charged to profit or loss in the year to which they relate. The Company also participates in the National Social Security Authority (NSSA) scheme. Payments made to NSSA are dealt with as payments to defined contribution plans, where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

3.11 Borrowing Costs

Borrowing costs which relate to funds raised specifically for the acquisition of property, plant and equipment are capitalised until such time as the assets are substantially ready for intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying asset, is deducted from the borrowing costs eligible for capitalisation.

3.12 Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of Assets (continued)

Where an impairment subsequently reverses, the carrying amount of the asset (cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation increase.

3.13 Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

3.13.1 Financial Assets

Financial assets of the Company are classified as "loans and receivables" as they do not fall into the other financial asset categories as defined under IAS 39 "Financial Assets: Recognition and Measurement".

3.13.2 Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

3.13.3 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired if there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.13.4 Derecognition of Financial Assets

The Company derecognises financial assets only when the contractual rights to the cash flows from the assets expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.13.5 Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial Instruments (continued)

3.13.6 Derecognition of Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative Financial Instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, namely forward exchange contracts.

Derivatives are initially recognised at fair value at the date the derivatives contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of profit or loss depends on the nature of the hedge relationship.

3.13.7 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date.

Useful Lives and Residual Values of Property, Plant and Equipment

During the year, management assessed the residual values of property, plant and equipment. Residual values of each asset category have been assessed using the fair value of the asset after taking into account age, usage and obsolescence. These residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is diminution in value.

Management assesses useful lives of property, plant and equipment each year taking into account past experience and technology changes. The useful lives are set out in Note 3.3.

Share Based Payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at that grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed and on straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The Company computes the fair value of the scheme using the Black-Scholes option pricing model. Based on the model, with a vesting period of 3 years and extension of 7 more years, the average estimated remaining life is computed. Assumptions applied in the model are set out in Note 17.5.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for Credit Losses

The Company makes provision for debtors' balances where it considers the recoverability to be doubtful. A significant degree of judgement is applied by management when considering whether a debtor is recoverable or not.

Factors taken into account, include default of payments, history of the specific customer with the Company, indications of financial difficulties of the specific customer, credit terms specific to the customer and general economic conditions, see note 13.

		2017 USD	2016 USD
5.	**REVENUE**		
	Brown spirits	17 820 714	16 944 618
	Ciders	7 934 378	6 432 629
	White spirits	5 006 787	3 833 942
	Still wines	2 615 300	1 972 103
	Liqueur	1 428 400	1 216 348
	Spirit coolers	1 059 986	1 302 801
	Fortified wines	407 038	317 004
	Sparkling wines	275 830	272 655
	Sparkling juice	164 274	208 688
	Excise duties, discounts and royalties	(11 822 201)	(10 459 904)
		24 890 506	**22 040 884**
6.	**OPERATING INCOME**		
	Operating income for the year is stated after:		
6.1	**Impairments and Losses on Disposal of Assets**		
	Impairment recognised on receivables	89 803	167 972
	Loss on disposal of property, plant and equipment	1 407	103 878
6.2	**Depreciation:**		
	Plant and machinery	539 035	544 054
	Motor vehicles	231 786	246 681
	Office equipment	74 066	92 952
	Buildings	9 421	8 525
		854 308	**892 212**
6.3	**Auditors' Remuneration:**		
	Current year audit fees	**68 000**	**68 000**
6.4	**Staff Costs:**		
	Staff costs	4 449 739	4 407 054
	Retirement benefit costs	398 072	445 661
	Total	**4 847 811**	**4 852 715**
	Compensation of directors and key management:		
	For services as directors	83 035	88 386
	For management services	1 034 922	1 274 026
7.	**REORGANISATION COSTS**		
	The Company embarked on a retrenchment exercise in order to align costs with the level of business operations in 2016. The exercise has since been completed		
	Reorganisation costs	-	**905 470**

		2017 USD	2016 USD
8.	**TAXATION EXPENSE**		
8.1	**Income Tax:**		
	Current taxation	541 699	561 281
	Capital gains tax	-	250
	Deferred taxation expense for the year (Note 18)	528 085	113 781
		1 069 784	**675 312**
8.2	**Reconciliation of Rate of Income Taxation:**		
	Standard Rate	25.75%	25.75%
	Adjusted for:		
	Disallowed expenditure	-	8.90%
	Other	2.16%	2.98%
	Effective rate	**27.91%**	**37.63%**
9.	**EARNINGS PER ORDINARY SHARE**		
9.1	**Attributable Earnings Basis:**		
9.1.1	**Attributable Earnings:**		
	Profit attributable to shareholders (USD)	2 761 968	1 119 282
9.1.2	**Per Share:**		
	Earnings per ordinary share (Cents)	2.39	0.97
9.1.3	**Basis:**		
	Calculations are based on the earnings attributable to ordinary shareholders and the weighted average ordinary share capital in issue for the year.		
	Weighted Average number of shares in issue (millions)	115	115
9.2	**Headline Earnings Basis:**		
9.2.1	**Headline Earnings:**		
	Profit attributable to shareholders (USD)	2 761 968	1 119 282
	Loss on disposal of property, plant and equipment and investments	1 407	103 880
		2 763 375	**1 223 162**
9.2.2	**Per Share:**		
	Earnings per ordinary share (Cents)	2.39	1.06
9.2.3	**Basis:**		
	Calculations are based on attributable earnings per share adjusted for items of a capital nature (Note 9.2.1) and the average ordinary share capital in issue for the period. (Note 9.1.3)		

		2017 USD	2016 USD
9.	**EARNINGS PER ORDINARY SHARE (continued)**		
9.3	**Diluted Earnings Basis:** Diluted earnings per share evaluates the sensitivity of base earnings with regards to the changes in capital structure of the Company. The calculations are based on the diluted earnings determined below (Note 9.3.1) and the total of weighted average number of shares used for Earnings Per Share (EPS) (Note 9.1.3) and weighted potential number of ordinary shares.		
9.3.1	**Diluted Earnings**		
	Profit attributable to shareholders	2 761 968	1 119 282
9.3.2	Weighted Average Number of Shares (millions)	115	115
9.3.3	**Per Share**		
	Diluted earnings per share (Cents)	2.38	0.97
10.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and Improvements		
	Cost	488 475	488 475
	Accumulated depreciation	-	-
		488 475	**488 475**
	Buildings		
	Cost	3 059 067	3 034 937
	Accumulated depreciation	(582 017)	(575 276)
		2 477 050	**2 459 661**
	Plant and Machinery		
	Cost	8 889 972	8 796 077
	Accumulated depreciation	(3 555 130)	(3 016 094)
		5 334 842	**5 779 983**
	Motor Vehicles		
	Cost	2 690 070	2 485 991
	Accumulated depreciation	(1 756 820)	(1 525 034)
		933 250	**960 957**
	Office Equipment		
	Cost	808 142	783 768
	Accumulated depreciation	(453 930)	(379 863)
		354 212	**403 905**
	Total Property, Plant and Equipment	**9 587 829**	**10 092 981**
	Movement in Net Book Value for the Year		
	At the beginning of the year	10 092 981	10 404 696
	Additions	383 266	723 997
	Disposals	(34 110)	(143 500)
	Depreciation	(854 308)	(892 212)
	At End of the Year	**9 587 829**	**10 092 981**

		2017 USD	2016 USD
11	**LONG TERM LOANS**		
	Loans to staff	94 852	212 472
	Loans to Directors	232 564	267 231
		327 416	**479 703**

Loans to staff and Directors are largely loans to purchase vehicles under a car scheme at an interest rate of 6% p.a. and a tenure of 5 years.

		2017 USD	2016 USD
12	**INVENTORIES**		
	Finished products	1 498 877	2 383 153
	Maturing spirits and wines	214 038	227 517
	Raw materials	2 798 892	2 524 969
		4 511 807	5 135 639
	Allowance for obsolete inventory	(23 241)	(34 796)
		4 488 566	**5 100 843**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $12 768 927 (2016:$11 023 849).

		2017 USD	2016 USD
13	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	3 988 104	3 440 937
	Allowance for doubtful receivables	(374 837)	(415 213)
		3 613 267	3 025 724
	Other receivables	717 740	518 671
		4 331 007	**3 544 395**

The average credit period on sale of goods is 21 days. No interest is charged on overdue trade receivables. Trade receivables are provided for based on company policy as outlined in note 4. The estimate of average days in trade receivables is 48 days (2016: 55 days).

Before accepting any new customer, the Company uses a credit scoring system to assess the potential customer's credit quality and defines credit limits for the customer. Limits attributed to customers are reviewed at management discretion and when the customer is showing signs of financial distress.

Included in the Company's trade receivables are debtors with a carrying amount of USD1 422 584 (2016: USD1 616 648) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company has ten (10) (2016: 10) secured debtors owing $544 987 (2016: $473 290) with security valued at $441 500 (2016: $538 500).

Ageing of past due but not impaired trade receivables

	2017 USD	2016 USD
21 – 90 days	1 407 702	1 492 107
91 – 120 days	14 882	16 077
120 + days	-	108 464
	1 422 584	**1 616 648**

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debt.

		2017 USD	2016 USD
13	**TRADE AND OTHER RECEIVABLES (continued)**		
	Ageing of impaired trade receivables		
	21 – 90 days	-	-
	91 – 120 days	2 956	-
	120 + days	371 881	415 213
		374 837	**415 213**
	Movement in the allowance for doubtful debts		
	Balance at the beginning of the year	415 214	418 475
	Impairment recognised on receivables	89 803	167 972
	Bad debts recovered	(77 408)	(83 099)
	Bad debts written off	(52 772)	(88 134)
	Balance at the end of the year	**374 837**	**415 214**
14.	**CURRENT TAX ASSET**		
	Tax refund receivable	**206 858**	-
15.	**SHORT TERM INVESTMENTS**		
	Unlisted - at fair value	**3 268 117**	-
	The Company has invested excess cash holdings in order to maximise interest income.		
16.	**CASH AND CASH EQUIVALENTS**		
	Bank and cash balances	**4 253 877**	**2 542 353**

Included in cash and cash equivalents are balances with Banks. These balances are used for transacting on a daily basis. During the year, the Central Bank through Exchange Control Operational Guide 8 (ECOGAD 8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments that are made from the bank balances above are ranked based on the Central Bank prioritization criteria and paid subject to the Bank having adequate funds with its Foreign Correspondent Banks. This has resulted in increase in foreign creditor balances compared to prior year.

Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the US$.

17. SHARE CAPITAL

17.1 Authorised Share Capital

Authorised share capital comprises of 150 000 000 (2016: 150 000 000) ordinary shares.

		2017 Number of Shares	2016 Number of Shares
17.	**SHARE CAPITAL (continued)**		
17.2	**Issued and Fully Paid Share Capital**		
	At the beginning of the year	115 306 024	115 045 024
	Issued during the year	231 167	261 000
	At the end of the year	**115 537 191**	**115 306 024**
		USD	**USD**
	Ordinary shares at nominal value of $0.01	1 128 561	1 125 951
	Exercise of share options	2 312	2 610
		1 130 873	**1 128 561**

17.3 Unissued Share Capital

Subject to the restrictions imposed by the Companies Act (Chapter 24.03) and the Zimbabwe Stock Exchange (ZSE), the Articles of Association permit the Directors to allocate, at their discretion, the unissued share capital of 34 462 809 ordinary shares (2016: 34 693 976 ordinary shares).

17.4 Directors' Interests:

At end of the year the Directors held, directly and indirectly, the following ordinary shares:

	DIRECT		TOTAL	
	Beneficial	**Non-beneficial**	**2017**	**2016**
A Chitapi	-	-	-	117
C Gombera	-	476	476	242
P Gowero	-	117	117	117
C Z Guyo	-	-	-	155 117
M J Hollingworth	730 000	-	730 000	730 000
S W Klopper	-	117	117	117
R H M Maunsell	315 205	117	315 322	315 322
M Ndachena	-	117	117	117
M Valela	-	117	117	117
S V Rushwaya	2 498	117	2 615	2 615
G J Schooling	-	117	117	117
	1 047 703	**1 295**	**1 048 998**	**1 203 998**

The holding, directly and indirectly, of the Directors in the issued share capital is 0.91% (2016 – 1.04%).

17. SHARE CAPITAL (continued)

17.5 Employees' Share Option Scheme - shares under option

The Directors are empowered to grant share options to certain employees of the Company. These options are exercisable for a period of seven years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day prior to the granting of options. Each employee share option converts into one ordinary share of African Distillers Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The number of shares subject to option is approved by shareholders in a General Meeting, and the number of options granted is calculated in accordance with the performance-based formula approved by the Remuneration Committee. The number of share options are limited in line with the Zimbabwe Stock Exchange (ZSE) regulations.

Details of Share Options outstanding during the year are as follows:

Date of Grant	Subscription Price US$	Number Of Options 2017	2016
5 November 2014	0.33	860 833	1 000 000
2 February 2016	0.5658	908 000	1 000 000
9 February 2017	0.60	908 000	-
		2 676 833	**2 000 000**

Movement in Share Options during the year	2017	2016
Number outstanding at beginning of the year	2 000 000	1 261 000
New options granted during the year	908 000	1 000 000
Exercised during the year	(231 167)	(261 000)
Outstanding at year end	**2 676 833**	**2 000 000**

Breakdown as follows:		
Directors	1 527 266	1 170 734
Other key management personnel	526 600	351 066
Other management	622 967	478 200
	2 676 833	**2 000 000**

Notes to the Financial Statements (continued)

for the year ended 30 June 2017

		2017 USD	2016 USD
18.	**DEFERRED TAXATION**		
	Arising from the following:		
	Property, plant and equipment	1 757 552	1 454 427
	Other assets and provisions	(93 295)	(318 255)
		1 664 257	1 136 172
	Deferred tax movement for the current year		
	At the beginning of the year	1 136 172	1 022 391
	Arising on current year temporary differences	528 085	113 781
	At the end of the year	**1 664 257**	**1 136 172**
19.	**TRADE AND OTHER PAYABLES**		
	Trade payables	3 372 925	1 674 018
	Accruals	3 143 835	2 043 588
	Provision for reorganisation costs	-	905 470
		6 516 760	**4 623 076**

Trade payables and accruals are principally comprised of amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases is 21 days.

		2017 USD	2016 USD
20.	**CASH FLOW INFORMATION**		
20.1	**Operating Income before Finance Costs and Taxation:**		
	Operating income	4 056 223	2 625 307
	Realised exchange (loss)/gain	(259 409)	84 056
	Reorganisation costs	-	(905 470)
		3 796 814	**1 803 893**
20.2	**Non-Cash Items**		
	Depreciation (Notes 6.2 & 10)	854 308	892 212
	Loss on disposal of property, plant and equipment (Note 6.1)	1 407	103 878
	Unrealised exchange (loss)	(101 565)	(17 415)
	Share option expense	278 317	160 742
		1 032 467	**1 139 417**
20.3	**Changes in Working Capital:**		
	Decrease in inventories	612 277	834 141
	(Increase)/Decrease in trade and other receivables	(786 612)	1 282 115
	Increase in trade and other payables	1 893 684	516 467
		1 719 349	**2 632 723**
20.4	**Income Tax Paid**		
	Liability at the beginning of the year	291 251	267 324
	Current tax (note 8.1)	541 699	561 531
	Asset/(liability) at the end of the year	206 858	(291 251)
		1 039 808	**537 604**

		2017 USD	2016 USD
20.	**CASH FLOW INFORMATION (continued)**		
20.5	**Property, Plant and Equipment:**		
	Acquisition of property, plant and equipment		
	Expand operations	(200 863)	(223 384)
	Replacements	(182 403)	(500 613)
	Proceeds on disposal of property, plant and equipment	32 704	39 622
		(350 562)	**(684 375)**
20.6	**Increase in Shareholder funding**		
	Proceeds of shares issued:		
	Share options exercised	**97 151**	**36 540**
21.	**DIVIDENDS**		
		US Cents	**US Cents**
	Interim dividend declared	0.20	0.15
	Final – Proposed	0.45	0.30
		0.65	**0.45**

22. RELATED PARTY TRANSACTIONS

Distell Ltd (SA) and Delta Corporation Ltd each have an effective shareholding of 30.32%(2016: 29.21%) and 38.17% (2016: 37.50%) respectively in the Company.

The following transactions were carried out with related parties at arm's length and in accordance with normal business operations of the Company:

	2017 USD	2016 USD
Distell Ltd (SA)		
Purchase of raw materials	1 940 013	916 500
Purchase of finished products for resale	2 788 166	2 306 552
Purchase of property, plant and equipment and spares	65 590	14 450
Royalties on finished goods produced and sold under license	658 439	588 027
	5 452 208	**3 825 529**
Delta Corporation Ltd		
Purchase of raw materials	391 055	430 348
Technical fees	-	24 104
	391 055	**454 452**
Year-end Balances Payable		
Delta Corporation Ltd –raw materials	148 709	-
Distell Ltd (SA) – raw materials and finished products	2 077 201	525 021
Distell Ltd (SA) – property, plant and equipment	92 621	10 002
Distell Ltd (SA) – royalties	652 715	166 605
	2 971 246	**701 628**

22.1 Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the period, as determined by the Remuneration Committee, was as follows:

	2017 USD	2016 USD
Short term benefits	895 636	1 159 533
Post employment benefits	139 286	114 493
	1 034 922	**1 274 026**

		2017 USD	2016 USD
22.	**RELATED PARTY TRANSACTIONS (continued)**		
22.2	**Directors' Emoluments**		
	Fees as directors	83 035	88 386
	Managerial services	1 096 651	936 770
		1 179 686	**1 025 156**
22.3	**Loans to Key Management**		
	Refer to Note 11 for terms of the loans	232 564	281 600

23. BORROWING POWERS

In terms of Article 52 of the Company's Articles of Association, the amount owing at any one time in respect of money borrowed or secured by the Directors, shall not, without the sanction of a general meeting, exceed the aggregate of the issued share capital and capital and revenue reserves of the Company.

24 PENSION FUNDS

All employees contribute to one or more of the following independently administered pension funds.

	2017 USD	2016 USD
African Distillers Pension Fund – defined contribution	398 072	445 661
National Social Security Authority Scheme	45 500	48 970
	443 572	**494 631**

24.1 African Distillers Pension Fund
As at 30 June 2017, 186 employees were members of the African Distillers Pension Fund. The fund is an independently administered defined contribution scheme and is, accordingly, not subject to actuarial valuation.

24.2 National Social Security Scheme
This is a defined benefit scheme promulgated under the National Social Security Authority Act 1989. The Company's obligation under the scheme are limited to specific contributions legislated from time to time. These are presently 3.5% (2016: 3.5%) of pensionable emoluments up to a maximum of USD700 (2016: USD700) per month for each employee.

25 FINANCIAL RISK MANAGEMENT

25.1 Liquidity Risk Management
The Company manages liquidity risk through the compilation and monitoring of forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The liquidity risk on foreign creditors and lenders has increased due to delay of foreign payments. Refer to note 16 for additional disclosures under cash and cash equivalents.

The company has no facilities at year end because of large cash holding of $4.3 million. This was done to avoid unnecessary arrangement fees on unutilised facilities.

25.2 Interest Rate Risk Management

The Company is exposed to interest rate risk as it borrows at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings within market expectations, and the Company adopts a non-speculative approach to managing interest rate risk.

The Company's exposure to interest rate on financial assets and financial liabilities are detailed in Notes 11 and 13.

Sensitivity Analysis

The sensitivity analysis below has been determined based on exposure to interest rates on floating rate liabilities at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at year end was outstanding for the whole year. A 1% increase or decrease is used and represents management assessment of the reasonably possible change in interest rate.

If interest rates had been 1% higher/ lower, and all other variables were held constant, the Company's profit for the year ended 30 June 2017 would decrease/ increase by nil (2016: nil).

25.3 Credit Risk Management

Financial assets which potentially subject the Company to concentration of credit risk consist of cash, short term deposits and trade receivables. The Company's cash equivalents and short term deposits are placed with high credit quality financial institutions. Credit risk in respect of trade receivables is limited due to a widespread customer base and on-going evaluations of the financial condition of customers. Apart from OK Zimbabwe, the company does not have significant credit risk exposure to any single counterparty. Concentration of credit risk related to OK Zimbabwe did not exceed 12% (2016 - 17%) of gross monetary assets at the reporting date.

25.4 Foreign Currency Risk Management

The Company undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. Trade related import exposures are managed by the use of forward exchange contracts (FECs) arranged with financial institutions and the introduction of a "cash against delivery" system for most major foreign suppliers.

The Company's net foreign liability exposure as at year end determined using the fair market rates is summarised as follows:

Payables

Currency	USD 2017	USD 2016
ZAR	1 988 359	643 479
EUR	23 362	-
Total	**2 011 721**	**643 479**

Using a 10% sensitivity on change in foreign currency rates used to adjust the translation at year end of outstanding foreign currency denominated monetary items, the effect on profit and loss would be $201 162 (2016: $58 564) increase in profit before tax where the USD strengthens 10% against the relevant currency and vice versa.

25 FINANCIAL RISK MANAGEMENT (continued)

25.5 Fair Values of Financial Instruments

The estimated fair values of all financial instruments approximate the carrying amounts shown in the financial statements.

25.6 Capital Risk Management

The entity's capital consists of equity attributable to the shareholders, comprising the issued share capital, reserves and retained income.

The entity's operating target is to maintain operating assets at a level that is higher than the available operating funds at all times in order to restrict recourse on shareholder's equity for operational funding. The objective was met at all times during the course of the year under review.

The Company's primary objectives in managing capital are:

- to guarantee the ability of the entity to continue as a going concern whilst providing an equitable return to the shareholders and benefit to customers and other stakeholders.

- To maintain a strong fallback position which is commensurate with the level of risk undertaken by the entity in the normal course of its business.

26. GOING CONCERN

The Directors have assessed the ability of the company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

27. SUBSEQUENT EVENTS

There were no significant subsequent events affecting the financial statements for the year ended 30 June 2017.

Supplementary Information

Board of Directors

P. Gowero

S. W. Klopper

R. H. M. Maunsell

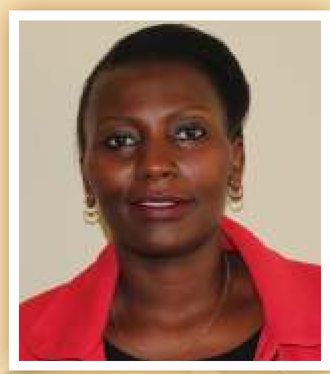
S. V. Rushwaya

G. J. Schooling

M. M. Valela

M J Hollingworth

C. Z. Gombera



M. Ndachena

L. Mutamuko

Directorate

30 June 2017

NON-EXECUTIVE DIRECTORS

P Gowero B.Sc. Econ (Hons), MBL
Appointed as director in August 2015 and as Chairman in November 2015.

S W Klopper B.Acc. (Hons), CA (SA)
Director Operations, Distell Group South Africa.
Appointed as director in December 2009.

R H M Maunsell B.Bus.Sc., CA (SA), CA (Z)#
Appointed as director in August 2003.

S V Rushwaya B.Sc. (Soc)#*
Managing Director, Aberfoyle Holdings Limited.
Appointed as director in October 1997.

G J Schooling B.Comm.#*
Group General Manager: Africa, Distell Group, South Africa.
Appointed as director in May 2009.

M M Valela B-Tech (Accounts), CA (Z)#*
Executive Director Finance, Delta Corporation Limited.
Appointed as director in August 2011.

M J Hollingworth B.Compt., CA (Z)
Joined the Company in February 2003.
Appointed as director in June 2003.
Managing Director – effective January 2011.
Retired as Managing Director – effective 30 June 2013.

EXECUTIVE DIRECTORS

C Z Gombera B.A. (Hons) Business Studies, MBA
Managing Director – Effective 1 July 2013.
Joined the Company in October 2012.
Appointed as director in November 2012.

M Ndachena B.Acc. (Hons), CA (Z), MBA
Finance Director.
Joined the Company in January 2013.
Appointed as director in November 2012.

COMPANY SECRETARY

L Mutamuko B.Acc.(Hons), ACIS
Appointed as Company Secretary in January 2011.

Terms of reference and membership

Audit Committee
To assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and corporate control.

* Remuneration Committee
To recommend to the Board the remuneration policies for executive directors and senior management and to determine the remuneration of those executives.

Shareholders' Analysis

30 June 2017

	2017				2017			
	Shareholders		Share Holders		Shareholders		Share Holders	
Size of Shareholding	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
1 - 5 000	556	74.13	556 664	0.48	552	73.90	539 450	0.47
5 001 - 10 000	58	7.73	419 870	0.36	58	7.76	415 577	0.36
10 001 - 25 000	58	7.73	991 398	0.86	59	7.90	980 497	0.85
25 001 - 50 000	30	4.00	1 076 733	0.93	29	3.88	1 055 360	0.92
50 001 - 100 000	15	2.00	1 027 017	0.89	16	2.14	1 100 494	0.95
100 001 - 200 000	12	1.60	1 603 263	1.39	12	1.61	1 623 263	1.41
200 001 - 500 000	5	0.67	1 961 081	1.70	5	0.67	1 961 082	1.70
Above 500 000	16	2.13	107 901 165	93.39	16	2.14	107 630 301	93.34
Total	**750**	**100**	**115 537 191**	**100.00**	**747**	**100**	**115 306 024**	**100.00**

CLASSIFICATION BREAKDOWN

Residents								
Companies	113	15.07	82 548 984	71.45	135	18.07	82 675 760	71.70
Insurance Companies	5	0.67	12 102 115	10.47	4	0.54	12 084 228	10.48
Pension Funds	33	4.40	7 713 994	6.68	25	3.35	7 590 475	6.58
Individuals	461	61.47	2 322 956	2.01	473	63.32	2 436 649	2.11
Nominees	44	5.87	1 332 815	1.15	27	3.61	84 946	0.07
Investments and Trusts	37	4.93	1 376 969	1.19	35	4.69	1 386 703	1.20
Other Organisations	18	2.40	126 047	0.11	12	1.61	44 605	0.04
	711	**95**	**107 523 880**	**93**	**711**	**95**	**106 303 366**	**92**
Non-Resident								
Companies	15	2.00	7 824 397	6.77	16	2.14	8 895 971	7.72
Individuals	24	3.20	188 914	0.16	20	2.68	106 687	0.09
	39	**5**	**8 013 311**	**7**	**36**	**5**	**9 002 658**	**8**
Total	**750**	**100**	**115 537 191**	**100**	**747**	**100**	**115 306 024**	**100**

Ten Largest Shareholders								
Afdis Holdings Pvt Ltd			69 152 187	59.85			68 852 216	59.71
Old Mutual Assurance Company			12 070 996	10.45			12 070 103	10.47
Delta Corporation Limited			9 557 473	8.27			9 557 473	8.29
Stanbic Nominees (Pvt) Ltd NNR			8 375 513	7.25			8 259 422	7.16
Mining Industry Pension Fund			5 416 867	4.69			5 416 867	4.70
African Distillers Limited			2 449 919	2.12			2 449 919	2.12
Local Authorities Pension Fund			1 500 000	1.30			1 500 000	1.30
ZWM Nominees Pvt Ltd			940 000	0.81			970 000	0.84
Distell International Limited			526 599	0.46			526 599	0.46
Maunsell Robert			315 322	0.27			315 205	0.27
			110 304 876	**95.47**			**109 917 804**	**95.33**
Other			**5 232 315**	**4.53**			**5 388 220**	**4.67**
Total			**115 537 191**	**100.00**			**115 306 024**	**100.00**

Notice to Shareholders and Proxies

for the year ended 30 June 2017

Notice is hereby given that the sixty seventh Annual General Meeting of the Company will be held in the boardroom at the Head Office, St. Marnock's, Lomagundi Road, Stapleford, Harare, Zimbabwe at 11am on Thursday 09 November 2017, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 30 June 2017 with the Reports of the Directors and Auditors.

2. In terms of Article 99 of the Company's Articles of Association, Messrs S V Rushwaya, M J Hollingworth and G J Schooling retire from the Board by rotation but, being eligible, offer themselves for re-election.

3. To confirm the fees of Directors for the year ended 30 June 2017 of USD83 035, and approve the recommendations of the Remuneration Committee for the fees for the year ending 30 June 2018.

4. To appoint Auditors for the current year and approve their remuneration for the past year ended 30 June 2017 of USD68 000.

SPECIAL BUSINESS

1. **Share Option Scheme**
   As a special resolution, to approve an employee share option scheme. "That the Directors of the Company be and are hereby authorised to implement the African Distillers Limited Share Option Scheme (2017) and allocate 4 000 000 African Distillers Limited shares to this scheme".

   The rules of the scheme have been approved by the Zimbabwe Stock Exchange and shall be available for inspection at the registered offices of the Company 14 days prior to the date of this Annual General Meeting.

2. **Share Buy Back**
   Shareholders will be asked to consider and if deemed fit, to resolve with or without amendments, THAT the Company authorises in advance, in terms of section 79 of the Companies Act (Chapter 24:03). The purchase by the Company of its own shares upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine and such authority hereby specifies that:

   a. The authority shall expire on the date of the Company's next Annual General Meeting;
   b. acquisitions shall be of ordinary shares which, in aggregate in any one financial year, shall not exceed 10% (ten percent) of the Company's issued ordinary share capital.
   c. the maximum and minimum prices, respectively, at which such ordinary shares may be acquired will be not more than 5% (five percent) above and 5% (five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5(five) business days immediately preceding the date of purchase of such ordinary shares by the Company.
   d. a press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between Annual General Meetings, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition.

   After considering the effect of the maximum repurchase of the shares, the Directors are confident that:
   a. The Company will be able to pay its debts for a period of 12 months after the date of the notice of the Annual General Meeting.
   b. The assets of the Company will be in excess of its liabilities
   c. The share capital and reserves of the Company are adequate for the period of 12 months after the date of the notice of the Annual General Meeting.
   d. The Company will have adequate working capital for a period of 12 months after the date of the notice of the Annual General Meeting.

It will be recorded that, in terms of Companies Act and the regulations of the Zimbabwe Stock Exchange, it is the intention of the Directors of the Company to utilise this authority at a future date provided the cash resources of the Company are in excess of its requirements and the transaction is considered to be in the best interests of shareholders generally. In considering cash resource availability, the Directors will take account of, inter alia, the long term cash need of the Company, and will ensure the Company will remain solvent after the re-purchase.

Notice to Shareholders and Proxies (continued)

for the year ended 30 June 2017

PROXIES

Members are notified that they are entitled to appoint one or more proxies to act in their alternative, to attend and vote and speak in their place at the meeting. A proxy need not be a member of the Company. Proxies must be lodged at the registered office of the Company at least forty-eight hours before the meeting.

By Order of the Board

L. MUTAMUKO
Company Secretary

St Marnock's
Stapleford
Harare
Zimbabwe

01 October 2017

Corporate Information and Shareholders' Calendar

30 June 2017

CORPORATE INFORMATION

Business Address & Registered Office
St Marnock's
Stapleford
Harare

P O Box WGT 890 or WGT 900
Harare

Telephone: +263-4-2930308/9
E-mail: headoffice@afdis.co.zw

Auditors
Deloitte and Touche Chartered Accountants (Zimbabwe)
West block
Borrowdale Office Park
Borrowdale Rd
Borrowdale
Harare

P O Box 267
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Transfer Secretaries
Corpserve (Private) Limited
2nd Floor, ZB Centre
Kwame Nkrumah Avenue/First Street
Harare

P O Box 2208
Harare

Telephone: 263-4-751559
Facsimile: 263-4-752629
E-mail: corpserve@corpserve.co.zw

Main Bankers
BancABC
Barclays Bank of Zimbabwe Limited
MBCA Bank
Standard Chartered Bank

Lawyers
Gill, Godlonton and Gerrans
6th & 7th Floors Beverley Court
100 Nelson Mandela Avenue
Harare

Telephone: 263-4-707224
Facsimile: 263-4-707380

SHAREHOLDERS' CALENDAR

30 June 2017
Financial year end

17 August 2017
Final approval of audited results for the year ended 30 June 2017

09 November 2017
Sixty Seventh Annual General Meeting

09 February 2018
Interim Announcement on unaudited results for six months ending 31 December 2016

24 March 2018
Interim Dividend Payable

30 June 2018
Financial Year End

*16 August 2018
Final approval of audited results for the year ending 30 June 2018

*01 October 2018
Final dividend payable

*08 November 2018
Sixty Eighth Annual General Meeting

* Anticipated dates

Notes

AFRICAN DISTILLERS
LIMITED

22,5 km peg Lomagundi Road, Stapleford, Harare.
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Email: headoffice@afdis.co.zw
Website: www.africandistillers.co.zw