AFRICAN
DISTILLERS
LIMITED

ANNUAL REPORT 2019

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AMARULA

MADE FROM AFRICA

COMPANY PROFILE

30 June 2019

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.

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.

COMPANY PROFILE (continued)

30 June 2019

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.

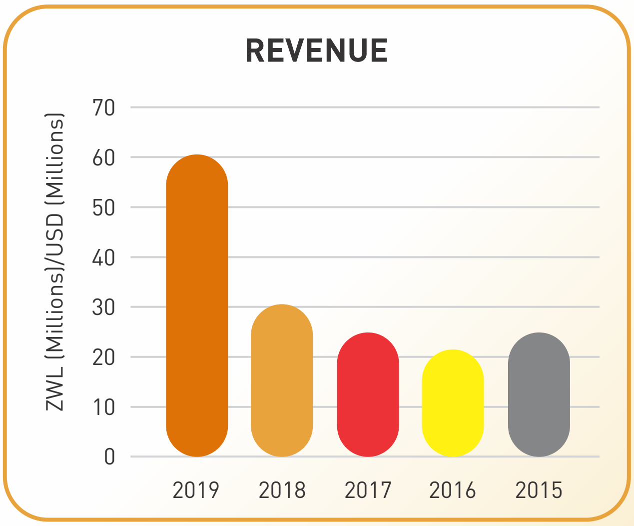
We are responsible corporate citizens.

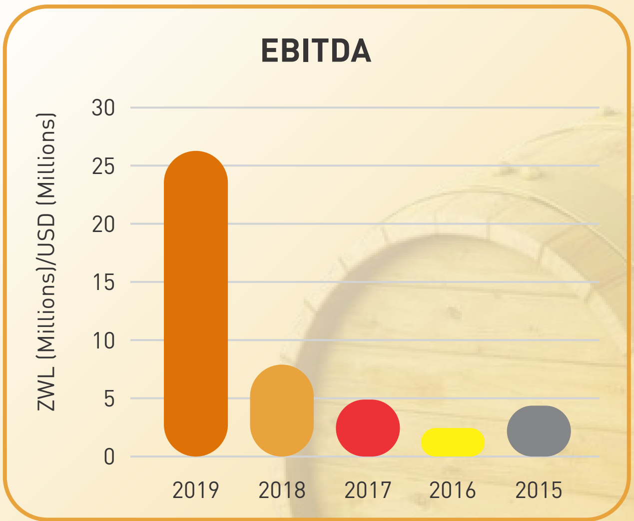
- We avoid conflicts of interest but will declare situations where they may occur.
- We endeavour to ensure the use of safe and reliable materials and services in all our processes.
- We are committed to and encourage responsible marketing and consumption of alcoholic beverages.
- We comply with the 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 2019

SUMMARY	2019 ZWL	2018* ZWL	2017 USD	2016 USD	2015 USD
Revenue	60 553 196	30 589 359	24 890 506	22 040 884	25 064 987
Operating income	25 396 867	7 105 821	4 056 223	2 625 307	3 840 953
EBITDA	26 268 067	7 912 821	4 910 531	2 612 047	4 520 874
Profit before taxation	25 056 537	7 224 047	3 831 752	1 794 594	4 026 505
Profit attributable to shareholders	18 054 908	5 258 066	2 761 968	1 119 282	3 112 501
Headline earnings	18 028 043	5 252 749	2 763 375	1 223 162	2 898 035
Interest bearing debt	-	-	-	-	1 873 959
Cash and cash equivalents and short term investments	15 681 555	20 275 158	7 521 994	2 542 353	504 957
Total assets	81 800 773	40 225 990	26 463 670	21 760 275	22 238 121
SHARE PERFORMANCE					
Number of ordinary shares in issue (millions)	117	117	116	115	115
Market capitalisation	211 150 843	168 978 927	70 477 687	51 887 711	57 522 512
Number of ordinary shareholders	720	749	750	747	780
Middle market price (cents)	180	145	61	45	50
Attributable earnings per share (cents)	15.45	4.53	2.39	0.97	2.75
Headline earnings per share (cents)	15.43	4.53	2.39	1.06	2.56
Diluted earnings per share (cents)	15.43	4.49	2.38	0.97	2.72
Dividend per share (cents)	4.50	1.50	0.65	0.45	0.57
Net asset value per share (cents)	52.03	20.12	15.82	13.62	13.01
FINANCIAL STATISTICS					
Return on shareholders' equity (%)	30	23	15	7	21
Dividend cover (times)	3.45	2.99	3.67	2.16	4.75





* These numbers have been re-presented as ZWL at a rate of 1:1 to the USD.

CHAIRMAN'S STATEMENT

30 June 2019

OVERVIEW

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

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

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

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

CURRENCY CHANGES

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

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

TRADING SUMMARY

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

FINANCIAL PERFORMANCE

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

In order to ensure business continuity, the Reserve of Zimbabwe (RBZ) provided a facility of US$22,5 million to one of the Company's major foreign suppliers, Distell Limited under the Exchange Control Directive RU 28 of 22 February 2019. The facility is in the form of savings bonds which are registered in the name of Distell Limited and were used as payment for long outstanding trade payable balances (legacy debt).

FUTURE PROSPECTS

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

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

DIVIDEND

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

DIRECTORATE

Mr S. V. Rushwaya and Mr. M. Hollingworth retired from the board on 31 December 2018. Mr C. Malunga and Mrs N. Samuriwo were appointed to the board in February 2019.

APPRECIATION

The Board pays tribute to the Company's management and employees for their effort and commitment during the past year.

Special recognition goes to Mr S.V. Rushwaya and Mr M. Hollingworth who retired from the Board in December 2018. The Board is grateful for their significant contribution over the years.

P Gowero
Chairman

15 August 2019

REVIEW OF OPERATIONS

30 June 2019

OVERVIEW

The trading environment was difficult throughout the year as the strain on consumer spend intensified. In addition, the business could not source sufficient foreign currency to cover market demand. In the first half, the business recorded volume growth of 40% on prior year and a corresponding revenue growth of 57%. Regrettably, this trend was not sustained in the second half of the trading period as volumes declined by 10% on prior year due to depressed consumer demand. The business had to periodically respond to monetary and fiscal policy changes in order to continue operating, maintain market presence and seek growth. Pricing decisions were taken to redress the impact of inflationary costs on the business as well as respond to the vagaries of exchange rate movements.

FOREIGN PAYMENTS

In order to ensure business continuity, the Reserve Bank of Zimbabwe (RBZ) provided a facility of US$22,5 million to one of the Company's major foreign suppliers, Distell Limited, under the Exchange Control Directive RU 28 of 22 February 2019. The facility is in the form of savings bonds which are registered in the name of Distell Limited and were used as payment for long outstanding trade payable balances (legacy debt).

READY-TO-DRINK (RTD) BUSINESS

The category grew by an impressive 76% in the first half of the year due to improved cider availability and favourable pricing. This trend did not continue in the second half as prices were frequently adjusted in line with inflation, resulting in reduced demand. Consumer engagement initiatives and improved distribution efficiencies helped in growing the user base, while the introduction of the Hunter's Edge variant broadened the market segment. The business relaunched Sting spirit cooler in a PET pack to address affordability issues in this category.

Sting relaunched in new 375ml pet pack.

Investment in distribution capacity.

SPIRIT BUSINESS

Spirit volumes grew by 21% on prior year. Brown spirits dominated this category, contributing 73% of total spirit volumes. The introduction of new flavored variants in vodka and a gin product aided performance in the white spirit category. Spirits continue to be the major contributor to revenue, contributing 62% this year.

New look Nikolai vodka and flavoured variants.

In-trade brand visibility

REVIEW OF OPERATIONS (continued)

30 June 2019

WINE BUSINESS

Wine volumes declined by 10% on prior year. Changes in the monetary and fiscal policy in the latter half of the year negatively impacted on performance of this category as product affordability and accessibility became compromised. The wine business is dominated by imported brands which heavily rely on foreign currency.

Core range.

Nederburg wine tasting in the trade.

CORPORATE SOCIAL RESPONSIBILITY

30 June 2019

The business believes in improving livelihoods and helping build communities hence our involvement in various facets of the community. As we grow the business we are mindful of the challenges faced by different communities and our need to participate in the provision of solutions.

SUPPORTING THE HEATH SECTOR

In its endeavour to support the rehabilitation and improvement of health facilities in the country, the business adopted and renovated Ward B8 at Harare General Hospital. The refurbished ward was commissioned by the Minister of Health and Child Care on 02 August 2019.

Minister of Health and Child Care, Dr Obadiah Moyo officially opening the renovated ward at Harare Hospital.

INVESTMENT IN EDUCATION

The Company is currently constructing a classroom block at St Marnocks Secondary School in Mt Hampden. In addition, the Company contributes annually towards school and examination fees for underprivileged pupils at the school.

Construction of a classroom block is underway at St. Marnocks Secondary School

OUR CLEANING CAMPAIGN

AFDIS is part of the Stapleford Cluster (a group of companies comprising AFDIS, Seedco, Willdale and Windmill) which participates in monthly clean-up campaigns. This is meant to promote good hygiene and a clean environment.

PROMOTING ARTS

The annual Reps Theatre Awards are a testimony of our drive to support growth of arts and culture in our country.

DIRECTORS' REPORT

30 June 2019

The Directors present their sixty ninth annual report to shareholders together with the audited financial statements for the year ended 30 June 2019.

FINANCIAL RESULTS

	30 June 2019 ZWL	30 June 2018 ZWL
Operating income	25 396 867	7 105 821
Interest income/(expense)	124 564	(147 040)
Exchange (loss)/gain	(464 894)	265 266
Profit before taxation	25 056 537	7 224 047
Taxation expense	(7 001 629)	(1 965 981)
Profit for the year	18 054 908	5 258 066
Other comprehensive income	-	-
Total comprehensive income for the year	**18 054 908**	**5 258 066**

FINANCIAL HIGHLIGHTS

	30 June 2019	30 June 2018
Statement of Financial Position Ratios (x:1)		
Current ratio	3.08	2.03
Acid test ratio	1.84	1.68
Share Performance:		
Ordinary shares in issue	117 306 024	116 537 191
Middle market price (cents)	180	145
Market capitalisation (ZWL)	211 150 843	168 978 927
ZSE industrial index	702.83	365.69

Dividends

A dividend of 1.50 cents per share has been proposed. This brings the total dividend for the year ended 30 June 2019 to 4.50 cents per share.

SHARE CAPITAL

Authorised

At 30 June 2019, the authorised share capital of the Company is 150 000 000 (2018:150 000 000) ordinary shares of $0.01.

Issued and fully paid up shares

The issued share capital at 30 June 2019 is 117 306 024 ordinary shares (2018: 116 537 191 shares).

Options

In terms of an Employees' Share Option Scheme, options outstanding at 30 June 2019 were 3 448 314 (2018: 1 676 833). There are 1 551 686 (2018: 4 092 000) 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 2019 was ZWL631 472 (2018 – ZWL325 587), while receipts from disposal of property, plant and equipment were ZWL56 073 (2018: ZWL31 663).

DIRECTORS' REPORT (continued)

30 June 2019

Borrowing Powers
The details of the Company's borrowing powers appear in Note 21 to the financial statements.

Directors and their interests
Mr C. Malunga and Mrs N. Samuriwo were appointed to the Board of Directors in February 2019. The Company's Articles of Association require that they retire at the next Annual General Meeting, but being eligible, they offer themselves for election.

In terms of Article 99 of the Company's Articles of Association, Messrs S. Klopper, G. Schooling and R.H.M. Maunsell retire from the Board by rotation, but being eligible, they offer themselves for re-election.

At 30 June 2019, the Directors held, directly and indirectly, 316 500 (2018: 676 500) shares being 0.27% (2018: 0.58%) of the issued share capital of the Company. This holding is detailed in Note 15.4 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 2019 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 **	2	2	-	-	-	-
C Gombera	4	4	2	2	2	2
S W Klopper	3	4	-	-	-	-
C Malunga *	1	1	-	-	-	-
R H Maunsell	3	4	2	2	-	-
M Ndachena	4	4	2	2	-	-
S V Rushwaya **	2	2	2	2	2	2
N Samuriwo *	1	1	-	-	-	-
G J Schooling	4	4	2	2	2	2
M Valela	4	4	2	2	2	2

*Mr C. Malunga and Mrs N. Samuriwo were appointed as Directors in February 2019.
** Mr M. J. Hollingworth and Mr S. V. Rushwaya retired from the board of directors on 31 December 2018.

DIRECTORS' EMOLUMENTS

Members will be asked to confirm the Directors' fees of ZWL113 444 (2018: ZWL85 904) for the year ended 30 June 2019, and to approve the recommendations of the remuneration committee for the fees for the year ended 30 June 2019.

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 ZWL405 000 (2018: ZWL68 000) for the financial year ended 30 June 2019.

ANNUAL GENERAL MEETING

The sixty ninth Annual General Meeting of the Company will be held at 11am on Friday 8 November 2019, at the registered office of the Company.

By Order of the Board

P Gowero
Chairman

C Gombera
Managing Director

15 August 2019
Harare

CORPORATE GOVERNANCE

30 June 2019

African Distillers Limited follows the principles and general guidelines set out by the King Reports on Corporate Governance and the National Code on Corporate Governance Zimbabwe. 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 at the next Annual General Meeting. 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

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

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 2019

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 pages 15 to 19. 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 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. The Company prepares financial statements with the aim to fully comply with International Financial Reporting Standards (IFRS) which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC). Compliance with IFRS is intended to achieve consistency and comparability of financial statements.

While full compliance with IFRS was achieved in previous reporting periods, only partial compliance has been achieved for the year ended 30 June 2019 as a result of inconsistencies between International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates and Statutory Instrument (S.I.) 33 of 2019.

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local mediums of exchange as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has resulted in an accounting treatment being adopted for current year reporting which is different from that which would have been adopted if the Company had been able to fully comply with IFRS. Consequently, the Directors have been unable to produce financial statements which in their view are true and fair, and urge users of the financial statements to exercise due caution.

The Directors have reviewed the Company's budget and cash flow forecast for the year to 30 June 2020. 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.

PREPARER OF FINANCIAL STATEMENTS

These annual financial statements have been prepared under the supervision of M. L. Ndachena CA (Z), the Finance Director and registered Public Accountant, PAAB Number 2458, and have been audited in terms of section 29 (1) of the Companies Act (Chapter 24:03).

APPROVAL OF FINANCIAL STATEMENTS

These annual financial statements for the year ended 30 June 2018 which appear on pages 21 to 49 were approved by the Board of Directors on 15 August 2019 and signed on their behalf by:

P. Gowero
Chairman

C. Gombera
Managing Director

15 August 2019
Harare

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AFRICAN DISTILLERS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ADVERSE OPINION

We have audited the financial statements of African Distillers Limited (the "Company") set out on pages 21 to 49 which comprise the statement of financial position as at 30 June 2019, 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, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, the statement of financial position of the Company as at 30 June 2019 , 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 ADVERSE OPINION

As described in note 1.2, the Company transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS and mobile money platforms were not legally recognised as currency during the period up to 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency for financial accounting and reporting purposes.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates."

As a result of these factors, the directors performed an assessment on the functional currency of the Company in accordance with IAS 21 and acknowledged that the functional currency of the Company was no longer USD.

On 20 February 2019, a currency called the RTGS Dollar (RTGS$) was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar (RTGS$) and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the Reserve Bank of Zimbabwe at the time it issued the bond notes as currency. The rate post 22 February 2019, on the official interbank market commenced at 1 USD:2.5 RTGS$.

The directors used the 22 February 2019 date to effect the change in functional currency. Because the Company transacted using a combination of USD, bond notes and coins, RTGS$, and system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in line with SI 33/19 results in material misstatement to the financial performance and cash flows of the Company, as transactions denominated in USD were not appropriately translated during that period.

Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements would have been materially different and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the financial statements of this departure have not been determined and we have been unable to obtain sufficient appropriate evidence to determine the impact of the departure. Furthermore, we draw attention to the change in functional currency reserve presented in the statement of financial position, related to the gain on conversion of selected assets and liabilities to RTGS$ (subsequently ZWL as of 24 June 2019) on change in functional currency from the USD. The directors have applied the conversion selectively on the opening balance sheet and also opted to recognise the gain amounting to ZWL23 616 280 in equity as a non-distributable reserve, which represents a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange

Rates. IAS 21 requires that the gain be recognised in the statement of profit or loss and other comprehensive income. Subsequent to 22 February 2019, all movements in these assets and liabilities were recognised through the statement of profit or loss. Consequently, we have not been able to determine whether any other adjustments would be necessary as a result of the above.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the Basis for Adverse Opinion section of our report, we have determined the matters described below to be the key audit matters.

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</th></tr>
<tr><td colspan="2">VALUATION OF EXPECTED CREDIT LOSSES ON TRADE AND OTHER RECEIVABLES</td></tr>
<tr><td>The Company adopted the new and complex accounting standard (IFRS 9: Financial Instruments) on 1 July 2018. This standard introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39 (Financial Instruments). The closing impairment allowances reflected in the statement of financial position as at 30 June 2019 and determined in accordance with IFRS 9 were ZWL426,584 as detailed per Note 12.

This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment.

The key areas where we identified greater levels of Director's judgement and therefore increased levels of audit focus in the Company's implementation of IFRS 9 included:

• The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model;
• Assumptions used in the expected credit loss such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, gross domestic rates, interest rates, gross domestic product growth, inflation); and
• The identification of exposures with a significant deterioration in credit quality.

Note 3.14 includes the details of accounting policy around the expected credit loss.</td><td>In addressing this matter, we performed the following procedures:

• Tested design and implementation of controls around this area;
• Specifically considered the validity of the director's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities;
• Verified whether the ECL model developed by management is consistent with the requirements of IFRS 9;
• Tested the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL; and
• Tested key assumptions and judgments, such as those used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of forward looking factors (macroeconomic factors) used to determine expected credit losses.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

to the members of African Distillers Limited

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
VALUATION AND DISCLOSURE OF PREPAYMENTS	

During the year, the Company was able to settle foreign liabilities as well as make advance payments to one of its main foreign suppliers and related party, Distell Limited.
 	
Given the significance of the prepayment at year- end and the fact that the prepayment is both qualitatively and quantitatively material, the valuation and disclosure of the balance has been considered as a key audit matter.
 	
The balance as at year-end has been disclosed per note 12 and related party transactions are disclosed per note 20.
	In addressing this matter, we performed the following procedures:
	
	• Inspected the reconciliation of the prepayment against the balance confirmed, assessing reconciling items for reasonableness and rationale as follows:
	  - Inspected bank statements and board minutes confirming authorisation for the transactions;
	  - Inspected guarantees provided by Distell Limited to African Distillers for third party foreign liabilities;
	  - Inspected third party supplier reconciliations for payments made on African Distiller's behalf by Distell Limited; and
	  - Independently confirmed balances owing to third party foreign suppliers.
	• Held discussions with the directors to understand the terms of agreement entered into with Distell Limited in respect of the prepayment;
	• Confirmed the balance with Distell Limited as at year end; and
	• Re-performed the valuation of the prepayment at year end.

CHANGE IN FINANCIAL REPORTING IT SYSTEM	
During the year, the entity migrated its financial reporting system from Syspro to SAP. System conversions inherently give rise in the risks of completeness of data transferred from the previous to the new systems and may result in the control systems not being adequate to mitigate risks around change management. The system changeover was determined to be a key audit matter based on the above factors.	Our procedures included but were not limited to the following: • Together with our IT Specialists, obtained an understanding of the system change-over controls implemented and evaluated the adequacy of such controls in ensuring a smooth transition; • Obtained an understanding of the challenges encountered and how they were resolved during the systems conversion in order to develop responses that were appropriate for identified risks of material misstatement; • Performed focused procedures to test the accuracy and completeness of transfer of balances between the legacy and new financial reporting systems; and • Obtained an understanding of the general and application controls that are embedded in the new financial reporting system, including the evaluation of the adequacy and testing of the operating effectiveness of selected controls.

INDEPENDENT AUDITOR'S REPORT (continued)

to the members of African Distillers Limited

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, Company Profile, Financial Highlights, Chairman's Statement, Review of Operations, Corporate Governance, Directors' Responsibility Statement, Board of Directors, Directorate, Shareholders' Analysis, Notice to Shareholders and Proxies, Corporate Information and Shareholders' Calendar, 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 an audit opinion or any form of assurance 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.

As described in the Basis for Adverse Opinion section above, the Company changed their functional currency to the RTGS$ effective 22 February 2019 (subsequently ZWL as of 24 June 2019). The date of change in functional currency that complies with IFRSs is 1 October 2018 but is inconsistent with S1 33/19. The Directors have chosen to comply with the legislation. Consequently, the measurement of the USD transactions between 1 October 2018 and 30 June 2019 does not comply with the requirements of IAS 21, as these transactions have not been appropriately translated in accordance with the Standard. We have determined that the other information is misstated for that reason.

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 (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 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 the Directors.

- 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.

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 auditor's 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 Charity Mtwazi.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Charity Mtwazi
Partner
PAAB Practice Certificate Number 0585

Date: 12 September 2019

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 ZWL	2018 ZWL
Revenue	5	**60 553 196**	**30 589 359**
Cost of sales		(20 139 564)	(14 632 663)
Gross profit		**40 413 632**	**15 956 696**
Other income		539 133	89 810
Distribution costs		(1 092 673)	(682 138)
Administrative expenses		(2 207 564)	(886 283)
Other operating expenses		(12 255 661)	(7 372 264)
Operating income	6	**25 396 867**	**7 105 821**
Interest income/(expense)		124 564	(147 040)
Exchange (loss)/gain		(464 894)	265 266
Profit before taxation		**25 056 537**	**7 224 047**
Taxation expense	7	(7 001 629)	(1 965 981)
Profit for the year		18 054 908	5 258 066
Other comprehensive income		-	-
Total comprehensive income for the year		**18 054 908**	**5 258 066**
Weighted average number of shares in issue (millions)		**117**	**116**
Earnings per share (Cents):			
Attributable earnings	8.1	15.45	4.53
Headline earnings	8.2	15.43	4.53
Diluted earnings	8.3	15.43	4.49

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 ZWL	2018 ZWL
ASSETS			
Non-current assets			
Property, plant and equipment	9	21 795 404	9 080 070
Long term loans	10	325 421	369 844
		22 120 825	**9 449 914**
Current assets			
Inventories	11	24 116 999	5 320 770
Trade and other receivables	12	19 881 394	5 180 148
Short term investments	13	3 818 104	17 449 662
Cash and cash equivalents	14	11 863 451	2 825 496
		59 679 948	**30 776 076**
Total Assets		**81 800 773**	**40 225 990**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	1 147 561	1 139 873
Share premium		4 962 411	4 542 013
Share option reserve		1 126 947	486 617
Non-distributable reserves		5 361 409	5 361 409
Change in functional currency reserve		23 204 200	-
Accumulated profit		25 236 190	11 534 115
		61 038 718	**23 064 027**
Non-current liabilities			
Deferred taxation	16	1 399 789	1 982 893
Current liabilities			
Trade and other payables	17	17 388 242	14 440 512
Current tax liability		1 974 024	738 558
Total current liabilities		**19 362 266**	**15 179 070**
Total liabilities		**20 762 055**	**17 161 963**
Total equity and liabilities		**81 800 773**	**40 225 990**

P. Gowero
Chairman

C. Gombera
Managing Director

15 August 2019

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 ZWL	2018 ZWL
CASH FLOW FROM OPERATING ACTIVITIES			
Operating income before finance costs and taxation	18.1	26 886 582	7 006 780
Adjustments for non-cash items	18.2	(126 233)	1 446 165
Cash generated from operations after non-cash items		26 760 349	8 452 945
Changes in working capital	18.3	(20 329 816)	6 242 407
Cash generated from operations		6 430 533	14 695 352
Interest (expense)/income		124 564	(147 040)
Income tax paid	18.4	(6 349 267)	(701 929)
Net cash inflow from operating activities		**205 830**	**13 846 383**
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment	18.5	(575 399)	(293 924)
Decrease/(increase) in short term investments		13 631 558	(14 181 545)
Decrease/(increase) in long term loans		44 423	(42 428)
Net cash inflow/(outflow) from investing activities		**13 100 582**	**(14 517 897)**
Net cash inflow/(outflow) from investing and operating activities		**13 306 412**	**(671 514)**
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in shareholder funding	18.6	428 086	209 023
Dividend paid to owners of the company		(4 696 543)	(965 890)
Net cash outflow from financing activities		**(4 268 457)**	**(756 867)**
Net movement in cash and cash equivalents		**9 037 955**	**(1 428 381)**
Cash and cash equivalents at the beginning of year		**2 825 496**	**4 253 877**
Cash and cash equivalents at the end of the year		**11 863 451**	**2 825 496**
Comprising:-			
Bank balances and cash	**14**	**11 863 451**	**2 825 496**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 June 2019

	Share Capital ZWL	Share Premium ZWL	Share Option Reserve ZWL	Non-Distributable Reserve ZWL	Change in Functional Currency Reserve ZWL	Accumulated Profit ZWL	Total ZWL
Balance at 30 June 2017	**1 130 873**	**4 341 990**	**454 157**	**5 361 409**	**-**	**6 994 224**	**18 282 653**
Recognition of share based payment expense	-	-	280 175	-	-	-	280 175
Issue of shares under employees share option plan	10 000	351 563	-	-	-	-	361 563
Share buy back	(1 000)	(151 540)	-	-	-	-	(152 540)
Transfer from share option reserve	-	-	(247 715)	-	-	247 715	-
Total comprehensive income for the year	-	-	-	-	-	5 258 066	5 258 066
Dividend paid	-	-	-	-	-	(965 890)	(965 890)
Balance at 30 June 2018	**1 139 873**	**4 542 013**	**486 617**	**5 361 409**	**-**	**11 534 115**	**23 064 027**
Recognition of share based payment expense	-	-	984 040	-	-	-	984 040
Issue of shares under employees share option plan	7 688	420 398	-	-	-	-	428 086
Recognition of Change in functional currency	-	-	-	-	23 616 280	-	23 616 280
Depreciation attributable to the currency uplift for the year	-	-	-	-	(412 080)	-	(412 080)
Transfer from share option reserve	-	-	(343 710)	-	-	343 710	-
Total comprehensive income for the year	-	-	-	-	-	18 054 908	18 054 908
Dividend paid	-	-	-	-	-	(4 696 543)	(4 696 543)
Balance at 30 June 2019	**1 147 561**	**4 962 411**	**1 126 947**	**5 361 409**	**23 204 200**	**25 236 190**	**61 038 718**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. GENERAL INFORMATION

1.1 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 Delta Beverages Limited, a company which is also incorporated in Zimbabwe.

1.2 Currency of reporting

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

In February 2019, the Government issued Statutory Instrument 33 of 2019 (SI33/19), which directed that all assets and liabilities that were in United States Dollars (US$) before 22 February 2019 be deemed to have become RTGS dollars (and subsequently ZWL as of 24 June 2019) at a rate of 1:1 to the US$. The financial reporting and auditing guidance on currency considerations under the environment prevailing issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21. The Company has reported transactions relating to the period 1 July 2018 to 22 February 2019 in the Statement of Profit or Loss and Other Comprehensive Income on a 1:1 basis in compliance with SI33 of 2019 and in recognition of the multiple exchange rates that were imputed in commercial transactions. The Statement of Financial Position was translated as at 22 February 2019, at the commencement ZWL rate of 2.5 to the US$ and the resultant increase in net assets of ZWL23 million is recorded as a non-distributable currency translation reserve. All transactions post this date are translated to ZWL in accordance with IAS21 at the official interbank rate prevailing at the time of transacting.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 New and amended IFRS standards that are effective for the current year

Impact of initial application of IFRS 9: Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

2.1 New and amended IFRS standards that are effective for the current year (continued)

Impact of initial application of IFRS 9: Financial Instruments (continued)

(a) Classification and measurement of financial assets (continued)

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has no debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- Financial assets and financial liabilities were measured at amortised cost under IAS 39 (Financial Instruments: Recognition and Measurement) continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Trade receivables and;
(2) Investments and loans.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

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

2.1 New and amended IFRS standards that are effective for the current year (continued)

Impact of initial application of IFRS 9: Financial Instruments (continued)

b) Impairment of financial assets (continued)

Classification of financial assets and liabilities on date of application of IFRS 9 – 1 July 2018

	Original Classification under IAS 39	New Classification under IFRS39	Original Carrying Amount under IAS39 ZWL	New Carrying Amount under IFRS9 ZWL
Assets				
Cash and cash equivalents	Fair value through profit and loss	Fair value through profit and loss	2 825 496	2 825 496
Trade and other receivables	Amortised cost	Amortised cost	5 180 148	5 180 148
Investment, loans and other assets	Amortised cost	Amortised cost	17 819 506	17 819 506
Total financial assets			**25 825 150**	**25 825 150**
Liabilities				
Trade and other payables	Amortised cost	Amortised cost	14 440 512	14 440 512
Total financial liabilities			**14 440 512**	**14 440 512**

Transitional adjustments on financial assets and liabilities on the date of initial application of IFRS 9

	Carrying amount under IAS 39 as at 30 June 2018 ZWL	Re-classification ZWL	Re-measurement ZWL	New Carrying amount as at 1 July 2018 ZWL
Financial assets				
Trade and other receivables	5 180 148	-	70 917	5 251 065
Investment, loans and other assets	17 819 506	-	-	17 819 506
Total financial assets	**22 999 654**	**-**	**70 917**	**23 070 571**
Financial liabilities				
Trade and other payables	14 440 512	-	-	14 440 512
Total financial liabilities	**14 440 512**	**-**	**-**	**14 440 512**

The reduction in credit loss allowance as at 1 July 2018 would have been recognised in retained earnings on 1 July 2018, resulting in a net increase in retained earnings. The directors deemed the movement to be immaterial and hence did not adjust the opening retained earnings.

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

2.1 New and amended IFRS standards that are effective for the current year (continued)

Impact of application of IFRS 15: Revenue from Contracts with Customers
In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The application of IFRS 15 has not had a significant impact on the financial position and the financial performance of the Company.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
Effective for annual periods beginning on or after 1 January 2018.

Key requirements
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

Impact
The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency.

The directors of the Company assessed that the new and revised IFRS have no material impact on the financial statements.

IFRS 12: Disclosure of interests in other entities - clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and discontinued Operations. The directors of the Company assessed that the new and revised IFRS have no material impact on the financial statements.

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:

- 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
  - The effect of changes in facts and circumstances.

  (Applicable to annual reporting periods beginning on or after 1 January 2019).

- 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. The scope of IFRS 16 includes leases of all assets with certain exceptions. A lessee can choose to apply the standards using either a full retrospective or a modified retrospective approach. The standard's transition provision to meet certain release. Early application is permitted but not before an entity applies IFRS 15. (Effective for annual periods beginning on or after 1 January 2019).

- IFRS 3: Business combinations. The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. (Effective for annual periods beginning on or after 1 January 2020).

- IAS 1: Presentation of financial statements and IAS 8: Accounting policies, Changes in Accounting Policies and Errors amendments – Definition of material. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. (Effective for annual periods beginning on or after 1 January 2020).

- IFRS 9: Financial instruments amendments – Prepayment features with negative compensation. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. (Effective for annual periods beginning on or after 1 January 2019).

Management have done an initial assessment of these standards on the 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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 upgrades 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, maturing wines and spirits	Weighted average cost
Finished goods	Standard cost. Where applicable, an appropriate share of overhead expenses is included. Out of bond inventories also include excise and customs duties.

During the year, the Company changed its accounting policy for measuring finished goods from weighted average cost basis to the standard cost basis to conform with the accounting policies of the Group. The Directors reviewed the impact of the change in accounting policy in line with the requirements of IAS 8: Accounting Policies, Changes in Accounting Policy and Errors and determined that the change in accounting policy had no material impact on the valuation of inventory held on 1 July 2018. The comparative amounts presented in the financial statements affected by the change in the accounting policy were not adjusted as Management believes that the valuation of inventory using the standard costing method for periods prior to 1 July 2018 would produce fairly similar results.

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.

3.6 Taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Taxation (continued)

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 ZWL, which is also the functional currency of the Company. Transactions in other foreign currencies are translated to ZWL 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 ZWL at the official rates ruling at reporting date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Provisions (continued)

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

The Company recognises revenue primarily from the sale of wines, spirits and ciders. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product to a customer.

Revenue comprises sales (net of trade discounts, excise and royalties), fees and rentals and excludes value added tax.

Sale of goods

The Company sells wines, spirits and ciders to the wholesale and retail market, and directly to customers both through its own fleet of delivery trucks and through its distribution depots.

Revenue is recognised when control of the goods has transferred, being when the goods have been collected or delivered to the customer's specific location. Following collection or delivery, the customer has full discretion over the manner in which they handle the goods, and also bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Company when the goods are collected by or delivered to the customer as appropriate, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

A sale of goods is recognised when goods are delivered, and title has passed to the buyer. Revenue from sales comprises the invoiced value of sales in respect of the Company's activities outlined and excludes investment and other non-operating income.

3.10 Other Income

Interest income

Interest from financial assets is recognised when it is probable that the economic benefits will flow to the Company and the amount of the income can be measured reliably. Interest 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 on a straight-line basis over the lease term.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight –line basis over the lease term.

3.11 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 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.

3.13 Impairment of Fixed 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.

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.

3.14 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. The Company's financial instruments consist primarily of the following financial assets: non-current receivables, cash and cash equivalents, trade and other receivables; other current and non-current financial assets; and the following financial liabilities: trade and other payables, current and non-current financial liabilities.

Fair value

Where financial instruments are recognised at fair value, the instruments are measured at the amount for which an asset could be sold, or an amount paid to transfer a liability, in an orderly transaction in the principal or most advantageous market, at the measurement date under current market conditions regardless of whether this price is directly observable or estimated using a valuation technique. Fair values have been determined as follows:

- Where market prices are available, these have been used.
- Where there are no market prices available, fair values have been determined using valuation techniques incorporating observable market inputs or discounting expected cash flows at market rates.
- The fair value of the trade and other receivables, cash and cash equivalents, and trade and other payables approximates their carrying amount due to the short maturity period of these instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument.

Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

Financial assets

The Company classifies financial assets into the following categories:

- Fair value through profit or loss (FVTPL);
- Amortised cost (AC); and
- Fair value through other comprehensive income (FVTOCI).

Financial assets are classified based on how their performance is managed, evaluated and their contractual cash flow characteristics (the business model).

Financial assets are presented as current if their maturity is within 12 months, otherwise they are presented as non-current.

Amortised cost

Financial assets are classified and measured at amortised costs when the Company holds them to collect contractual cash flows that have characteristics of principal amount and interest on the principal amount outstanding. Amortised cost is determined using the effective interest method.

Any subsequent impairment is included in the determination of other net income/expenditure.

Fair value through other comprehensive income

Financial assets that are equity instruments in their entirety are irrevocably designated, classified and measured at FVTOCI by the Company.

Fair value through profit or loss

The Company classifies and measures at fair value through profit or loss financial assets that are not measured at amortised cost or fair value through other comprehensive income.

A financial asset is irrevocably designated at FVTPL on initial recognition if this designation provides more useful information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or
- the financial asset is part of a group of financial assets, financial liabilities or both, that is managed and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this group is reported internally to key management on this basis.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The recoverability of a financial asset is determined from the date it is recognised with a loss allowance recognised for expected losses determined at the initial recognition. The Company measures the loss allowance at an amount equal to the life-time expected losses if credit risk on the financial asset has increased significantly since initial recognition. Credit risk is considered to have significantly increased when supportable information available to the Company indicate that the financial asset would not be recoverable as agreed.

For financial assets that the Company determines the recoverability is unlikely, such that the credit quality has significantly deteriorated and are credit impaired, a life-time expected credit loss is recognised and interest only accrues on the net amount.

For trade and other receivables, the Company recognises a loss allowance as a life-time expected credit loss due to their short-term nature. The Company reassesses the life-time expected credit losses at each reporting period and recognises any changes as an impairment gain or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

Classification between debt and equity
Debt and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments
An equity instrument represents a contract that evidences a residual interest in the net assets of an entity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
The Company classifies financial liabilities between amortised costs and fair value through profit or loss. Financial liabilities are not reclassified. Financial liabilities are classified as amortised cost, using the effective interest method.

In addition, a financial liability is designated at FVTPL on initial recognition if this designation provides more useful information because:
- it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or
- the financial liability forms part of a group of financial assets, financial liabilities or both, that is managed and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this grouping is reported internally to key management on this basis.

Other financial liabilities
These include borrowings, obligations under finance leases, and trade and other payables They are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated taking into account any issue costs and any discount or premium on settlement.

Commodity contracts that are entered into and continue to meet the Company's expected purchase, sale or usage requirements, which were designated for that purpose at their inception and are expected to be settled by delivery, are recognised in the financial statements when they are delivered into and are not marked-to-market.

Gains and losses arising on all other contracts not spanning a reporting interval are recognised and included in the determination of other net income/expenditure at the time that the contract expires.

Embedded derivatives
Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the profit or loss for the period

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINLY

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.

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

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 15.5.

Significant increase in credit risk

ECL are measured as an allowance equal to 12 month ECL for stage 1 assets, or lifetime ECL for stage 2 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company considers qualitative and quantitative reasonable and supportable forward-looking information.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Long service awards

Long service awards are provided to employees who achieve certain predetermined milestones of service within the entity and the expense is realised in the statement of profit or loss. The entity's obligation under this plan is valued by management at the end of every reporting period and an adjustment is made to reflect the value of the obligation with the other leg being accounted for in the statement of profit or loss.

Factors taken into account in valuing the obligation include the discount rate used in calculating the present value of the obligation, expected amounts of the reward to be offered and number of employees expected to receive the benefits.

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Currency change

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which directed that all assets and liabilities that were in United States Dollars (US$) immediately before 20 February 2019 be deemed to have been in RTGS$ at a rate of 1:1 to the US$. The guidance issued by the Public Accountants and Auditors Board (PAAB) notes that this is contrary to IAS21 on foreign currency translation. The Company has reported the Statement of Profit or Loss and Other Comprehensive Income on the basis of the 1:1 in compliance with SI33 and in recognition of the multiple exchange rates that were imputed in commercial transactions. In order to comply with IAS21 into the future, the Company translated the Statement of Financial Position as at 22 February 2019 at the commencement RTGS$ rate of 2,5 to the US$. All transactions post this date are translated in accordance with IAS21 at the official interbank rate. The Company has recognised a net increase in assets of RTGS$297,7 million arising from the rebasing of property, plant and equipment, inventories, foreign assets and foreign liabilities to RTGS$, which has been recorded as a non-distributable currency translation reserve. No other balances on the opening Statement of Financial Position were rebased, which is not in compliance with the principles of IAS 21.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

		2019 ZWL	2018 ZWL
5.	**REVENUE**		
	Brown spirits	35 128 875	19 433 000
	Ciders	22 094 398	12 122 231
	White spirits	10 074 762	3 971 298
	Still wines	5 229 560	3 417 187
	Liqueur	2 389 579	2 065 575
	Spirit coolers	958 645	762 387
	Fortified wines	432 745	471 967
	Sparkling wines	463 004	363 506
	Sparkling juice	346 603	121 396
	Excise duties, discounts and royalties	(16 564 975)	(12 139 188)
		60 553 196	**30 589 359**
6.	**OPERATING INCOME**		
	Operating income for the year is stated after:		
6.1	**Impairments and profit on disposal of assets**		
	Profit on disposal of property, plant and equipment	26 865	5 317
	Impairment recognised on receivables	(162 175)	(251 527)
6.2	**Depreciation:**		
	Plant and machinery	559 982	537 761
	Motor vehicles	221 258	191 405
	Office equipment	77 094	67 544
	Buildings	12 866	10 290
		871 200	807 000
6.3	**Auditors' remuneration:**		
	Current year audit fees and expenses	405 000	68 000
6.4	**Staff costs:**		
	Staff costs	7 173 875	5 311 512
	Retirement benefit costs	450 588	381 613
	Total	**7 624 463**	**5 693 125**
	Compensation of directors and key management:		
	For services as directors	113 444	85 904
	For management services	1 692 131	1 144 566
7.	**TAXATION EXPENSE**		
7.1	**Income tax:**		
	Current taxation	7 584 733	1 647 345
	Deferred taxation expense for the year (Note 16)	(583 104)	318 636
		7 001 629	**1 965 981**
7.2	**Reconciliation of rate of income taxation:**		
	Standard Rate	25.75%	25.75%
	Adjusted for:		
	Disallowed expenditure	5.15%	-
	Other	-2.96%	1.46%
	Effective rate	**27.94%**	**27.21%**

		2019 ZWL	2018 ZWL
8.	**EARNINGS PER ORDINARY SHARE**		
8.1	**Attributable earnings basis:**		
8.1.1	**Attributable earnings:**		
	Profit attributable to shareholders (ZWL)	18 054 908	5 258 066
8.1.2	**Per share:**		
	Earnings per ordinary share (cents)	15.45	4.53
8.1.3	**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)	117	116
8.2	**Headline earnings basis:**		
8.2.1	**Headline earnings:**		
	Profit attributable to shareholders (ZWL)	18 054 908	5 258 066
	Profit on disposal of property, plant and equipment and investments	(26 865)	(5 317)
		18 028 043	**5 252 749**
8.2.2	**Per share:**		
	Earnings per ordinary share (cents)	15.43	4.53
8.2.3	**Basis:**		
	Calculations are based on attributable earnings per share adjusted for items of a Capital nature (note 8.2.1) and the average ordinary share capital in issue for the Period. (note 8.1.3)		
8.3	**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 8.3.1) and the total of weighted average number of shares used for earnings per share (eps) (note 8.1.3) and weighted potential number of ordinary shares.		
8.3.1	**Diluted earnings**		
	Profit attributable to shareholders	18 054 908	5 258 066
8.3.2	**Weighted average number of shares (millions)**	**117**	**117**
8.3.3	**Per share**		
	Diluted earnings per share (cents)	15.43	4.49

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

		2019 ZWL	2018 ZWL
9.	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and improvements		
	Cost	1 211 188	488 475
	Accumulated depreciation	-	-
		1 211 188	**488 475**
	Buildings		
	Cost	7 914 749	3 120 982
	Accumulated depreciation	(1 500 819)	(592 307)
		6 413 930	**2 528 675**
	Plant and machinery		
	Cost	22 686 843	8 962 203
	Accumulated depreciation	(11 383 055)	(4 058 803)
		11 303 788	**4 903 400**
	Motor vehicles		
	Cost	6 578 668	2 385 203
	Accumulated depreciation	(4 318 391)	(1 575 933)
		2 260 277	**809 270**
	Office equipment		
	Cost	2 259 639	841 555
	Accumulated depreciation	(1 653 418)	(491 305)
		606 221	**350 250**
	Total property, plant and equipment	**21 795 404**	**9 080 070**
	Movement in net book value for the year		
	At the beginning of the year	9 080 070	9 587 829
	Additions	631 472	325 587
	Arising from change in functional currency	13 398 935	-
	Disposals	(31 793)	(26 346)
	Depreciation charge attributable to currency uplift for the year	(412 080)	-
	Depreciation through statement of profit or loss and other comprehensive income	(871 200)	(807 000)
	At end of the year	**21 795 404**	**9 080 070**
10	**LONG TERM LOANS**		
	Loans to staff	107 857	152 280
	Loans to Directors	217 564	217 564
		325 421	**369 844**

Loans to staff and Directors are largely loans to purchase vehicles under a car scheme at an interest rate of 6% p.a. and have a tenure of 5 years. The recoverability of these loans has been assessed in accordance with IFRS 9 and the resulting expected credit losses were assessed as insignificant.

		2019 ZWL	2018 ZWL
11	**INVENTORIES**		
	Finished products	12 945 287	1 863 197
	Maturing spirits and wines	794 974	216 216
	Raw materials	10 464 363	3 241 357
		24 204 624	**5 320 770**
	Allowance for obsolete inventory	(87 625)	-
		24 116 999	5 320 770

The cost of inventories recognised as an expense during the year in respect of continuing operations was ZWL17 141 947 (2018: ZWL12 772 091). The value of obsolete inventories written off during the year was nil (2018: ZWL64 154).

		2019 ZWL	2018 ZWL
12	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	9 503 102	4 675 467
	Allowance for credit losses	(426 584)	(422 469)
		9 076 518	**4 252 998**
	Prepayments – relating to inventory purchases	9 790 909	519 321
	Other receivables	1 013 967	407 829
		19 881 394	**5 180 148**

The Company has recognised an allowance for credit losses of ZWL426 584 (2018: ZWL422 469). The Company measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses ("ECL"), based on the ECL rates in the Company's provision matrix. The expected credit losses on trade receivables are estimated using the Company's provision matrix which makes reference to past default experience of debtors and an analysis of debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of between 3% and 87% against all receivables from current to over 120 days because historical experience has indicated that these receivables are generally not recoverable.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

	Trade receivables – ageing (days)				
30 June 2019	**0 – 21**	**21 – 90**	**91 – 120**	**120 +**	**Total**
Expected credit loss rate	3%	8%	21%	87%	
Expected credit losses	107 615	158 139	100 160	60 670	426 584

	Trade receivables – ageing (days)				
30 June 2018	**0 – 21**	**21 – 90**	**91 – 120**	**120 +**	**Total**
Expected credit loss rate	3%	3%	15%	78%	
Expected credit losses	59 174	51 059	21 129	291 107	422 469

12 TRADE AND OTHER RECEIVABLES (continued)

This was the first year that the Company applied the provision matrix. The reduction in credit loss allowance as at 1 July 2018 would have been recognised in retained earnings on 1 July 2018, resulting in a net increase of ZWL70 917 in retained earnings. The directors deemed the movement to be immaterial and hence did not adjust the opening retained earnings.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

Before accepting any new customer, the Company uses a credit scoring system to assess the potential customer's credit quality and define the credit limits by customer. Limits and customer performance are reviewed regularly. During the year 40% (2018: 49%) of receivables are neither past due nor impaired.

	2019 ZWL	2018 ZWL
Movement in the allowance for credit losses		
Movement in the allowance for credit losses		
Balance at the beginning of the year	422 469	374 837
Increase in allowance for credit losses	162 175	251 527
Bad debts recovered	(16 202)	(180 305)
Bad debts written off	(141 858)	(23 590)
Balance at the end of the year	**426 584**	**422 469**

13. SHORT TERM INVESTMENTS

	2019 ZWL	2018 ZWL
Unlisted - at fair value	3 818 104	17 449 662

The Company has invested excess cash holdings in order to maximise interest income.

14. CASH AND CASH EQUIVALENTS

	2019 ZWL	2018 ZWL
Bank and cash balances	**11 863 451**	**2 825 496**

15. SHARE CAPITAL

15.1 Authorised share capital

Authorised share capital comprises of 150 000 000 (2018: 150 000 000) ordinary shares.

15.2 Issued and fully paid share capital

	2019 Number of Shares	2018 Number of Shares
At the beginning of the year	116 537 191	115 537 191
Issued during the year	768 833	1 000 000
At the end of the year	**117 306 024**	**116 537 191**
Ordinary shares at nominal value of $0.01	1 139 873	1 130 873
Exercise of share options	7 688	10 000
Share buyback	-	(1 000)
	1 147 561	**1 139 873**

15.3 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 32 693 976 ordinary shares (2018: 33 462 809 ordinary shares).

15 SHARE CAPITAL (continued)

15.4 Directors' Interests:

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

	DIRECT		TOTAL	
	Beneficial	Non-beneficial	2019	2018
C Gombera	-	476	476	476
P Gowero	-	117	117	117
M J Hollingworth	-	-	-	360 000
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	-	117	117	117
G J Schooling	-	117	117	117
	315 205	**1 295**	**316 500**	**676 500**

The holding, directly and indirectly, of the Directors in the issued share capital is 0.27% (2018: 0.58%).

15.5 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's 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 2019	Number Of Options 2018
2 February 2016	0.5658	-	768 833
9 February 2017	0.60	908 000	908 000
1 July 2018	1.45	1 288 043	-
7 February 2019	1.53	1 252 271	-
		3 448 314	**1 676 833**

Movement in share options during the year	**2019**	**2018**
Number outstanding at beginning of the year	1 676 833	2 676 833
New options granted during the year	2 540 314	-
Exercised during the year	(768 833)	(1 000 000)
Outstanding at year end	**3 448 314**	**1 676 833**
Breakdown as follows:		
Directors	1 997 089	941 900
Other key management personnel	736 319	351 067
Other management	714 906	383 866
	3 448 314	**1 676 833**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

15. SHARE CAPITAL (continued)

15.5 Employees' share option scheme - shares under option (continued)

All options expire, if not exercised ten years after date of grant. Share options granted under the employee share option scheme carry no rights to dividends and have no voting rights.

The Company recognised total share option expenses of ZWL984 040 (2018: ZWL280 175) in respect of share options. Unallocated share options at year end were 1 551 686 (2018 – 4 092 000).

In terms of the Company share option scheme, options were granted on 1 July 2018 and 7 February 2019. The estimated fair value of the options granted on the date was ZWL1 675 017 and ZWL1 632 426 respectively.

The fair values were calculated using Black-Scholes pricing model and the following assumptions were applied.

Assumption	**Date of Grant**
	1 July 2018
Grant date share price – ZWL	1.45
Exercise price	1.45
Expected volatility	161%
Dividend yield	0.55%
Risk free interest rate	7%
	7 February 2019
Grant date share price – ZWL	1.53
Exercise price	1.53
Expected volatility	157%
Dividend yield	0.67%
Risk free interest rate	7%

	2019 ZWL	**2018 ZWL**
16. DEFERRED TAXATION		
Arising from the following:		
Property, plant and equipment	1 983 421	2 063 076
Other assets and provisions	(583 632)	(80 183)
	1 399 789	**1 982 893**
Deferred tax movement for the current year		
At the beginning of the year	1 982 893	1 664 257
Arising on current year temporary differences	(583 104)	318 636
At the end of the year	**1 399 789**	**1 982 893**
17. TRADE AND OTHER PAYABLES		
Trade payables – Local	1 077 460	2 347 002
Trade payables – Foreign	8 044 887	9 301 735
Accruals and other payables	8 265 895	2 791 775
	17 388 242	**14 440 512**

Trade payables and accruals are principally comprised of amounts outstanding for trade purchases and ongoing costs. The average credit period on local purchases is 30 days and on foreign purchases is 90 days.

Included in the foreign trade payables are creditors which are past due with a carrying amount of ZWL2 896 038 (2018: ZWL7 913 437). Interest is charged on overdue amounts at 1.16% per month on significant part of the foreign creditors balance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

		2019 ZWL	2018 ZWL
17.	**TRADE AND OTHER PAYABLES** (continued)		
	Ageing of past due		
	31 - 60 days	1 324 086	70 200
	61 - 90 days	819 857	180 187
	91 - 120 days	31 868	1 158 997
	121 + days	720 227	6 504 053
		2 896 038	**7 913 437**
18.	**CASH FLOW INFORMATION**		
18.1	**Operating income before finance costs and taxation:**		
	Operating income	25 396 867	7 105 821
	Realised exchange gain/(loss)	1 489 715	(99 041)
		26 886 582	**7 006 780**
18.2	**Non-cash items**		
	Depreciation (notes 6.2)	871 200	807 000
	Profit on disposal of property, plant and equipment (note 6.1)	(26 865)	(5 317)
	Unrealised exchange (loss)/gain	(1 954 608)	364 307
	Share option expense	984 040	280 175
		(126 233)	**1 446 165**
18.3	**Changes in working capital:**		
	Increase in inventories	(10 851 678)	(832 204)
	Increase in trade and other receivables	(12 425 867)	(849 141)
	Increase in trade and other payables	2 947 729	7 923 752
		(20 329 816)	**6 242 407**
18.4	**Income tax paid**		
	Liability/(asset) at the beginning of the year	738 558	(206 858)
	Current tax (note 7.1)	7 584 733	1 647 345
	Liability at the end of the year	(1 974 024)	(738 558)
		6 349 267	**701 929**
18.5	**Property, plant and equipment:**		
	Acquisition of property, plant and equipment		
	Expand operations	(419 795)	(202 426)
	Replacements	(211 677)	(123 161)
	Proceeds on disposal of property, plant and equipment	56 073	31 663
		(575 399)	**(293 924)**
18.6	**Increase in shareholder funding**		
	Proceeds of shares issued:		
	Share buy back	-	(152 540)
	Share options exercised	428 086	361 563
		428 086	**209 023**

19. DIVIDENDS

	ZWL Cents	ZWL Cents
Interim dividend declared	3.00	0.40
Final – proposed	1.50	1.10
	4.50	**1.50**

		2019 ZWL	2018 ZWL
20.	**RELATED PARTY TRANSACTIONS**		

Delta Corporation Ltd and Distell Ltd (SA) each have an effective shareholding of 50.37% (2018: 37.89%) and 30.39% (2018: 31.43%) respectively in the Company.

Afdis Holdings (Pvt) Ltd has a shareholding of 71.10% (2018: 59.38%) which is split between Delta and Distell as follows:

Delta – 41.60% (2018: 29.69%)
Distell – 29.50% (2018: 29.69%)

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

	2019 ZWL	2018 ZWL
Distell Ltd (SA)		
Purchase of raw materials	27 424 915	3 287 536
Purchase of finished products for resale	23 000 456	2 966 621
Purchase of property, plant and equipment and spares	66 600	22 160
Royalties on finished goods produced and sold under license	1 133 523	892 617
	51 625 494	**7 168 934**
Delta Corporation Ltd		
Purchase of raw materials	-	290 130
Technical fees	128 093	30 609
	128 093	**320 739**
Afdis Holdings (Pvt) Ltd		
Dividends paid	**2 837 153**	**587 975**
Year-end balances (receivable)/payable		
Delta Corporation Ltd – technical fees	16 130	144 322
Distell Ltd (SA) – raw materials and finished products	(3 001 173)	7 493 228
Distell Ltd (SA) – property, plant and equipment	-	60 995
Distell Ltd (SA) – royalties	-	1 387 330
Afdis Holdings (Pvt) Ltd - dividends payable	3 569 122	731 969
	584 079	**9 817 844**

20.1 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:

	2019 ZWL	2018 ZWL
Short term benefits	1 539 253	1 000 884
Post-employment benefits	152 878	143 682
	1 692 131	**1 144 566**

20.2 Directors' emoluments

	2019 ZWL	2018 ZWL
Fees as directors	113 444	85 904
Managerial services	1 692 131	1 098 382
	1 805 575	**1 184 286**

20.3 Loans to key management

	2019 ZWL	2018 ZWL
Refer to Note 10 for terms of the loans	217 564	217 564

21. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

		2019 ZWL	2018 ZWL
22	**PENSION FUNDS**		
	All employees contribute to one or more of the following independently administered pension funds.		
	African Distillers Pension Fund – defined contribution	450 588	381 613
	National Social Security Authority Scheme	52 835	45 146
		503 423	**426 759**

22.1 African Distillers Pension Fund

As at 30 June 2019, 183 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.

22.2 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% (2018: 3.5%) of pensionable emoluments up to a maximum of ZWL700 (2018: ZWL700) per month for each employee.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

23 FINANCIAL RISK MANAGEMENT

23.1 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 14 for additional disclosures under cash and cash equivalents.

The company has no facilities at year end because of large cash holding of $11.9 million. This was done to avoid unnecessary arrangement fees on unutilised facilities.

	0-1 month ZWL	2-6 months ZWL	7-12 months ZWL	Above 12 months ZWL	Carrying amount ZWL
LIQUIDITY GAP ANALYSIS AS AT 30 JUNE 2019					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	11 863 451	-	-	-	11 863 451
Money market investments	2 297 200	-	-	-	2 297 200
Savings bonds	-	1 520 904	-	-	1 520 904
Long term loans	-	-	-	325 421	325 421
Trade receivables	5 023 323	4 448 179	31 600	-	9 503 102
	19 183 974	**5 969 083**	**31 600**	**325 421**	**25 510 078**
FINANCIAL LIABILITIES BY TYPE:					
Trade payables	(492 014)	(1 959 488)	(7 027 945)	-	(9 479 447)
Period gap					
Cumulative gap	18 691 960	4 009 595	(6 996 345)	325 421	-
	18 691 960	**22 701 555**	**15 705 210**	**16 030 631**	**16 030 631**
LIQUIDITY GAP ANALYSIS AS AT 30 JUNE 2018					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	2 825 496	-	-	-	2 825 496
Money market investments	3 359 087	1 882 604	7 154 272	-	12 395 963
Savings Bonds	-	-	5 053 699	-	5 053 699
Long term loans	5 381	26 905	32 286	305 272	369 844
Trade Receivables	2 364 642	2 136 292	28 463	146 071	4 675 468
	8 554 606	**4 045 801**	**12 268 720**	**451 343**	**25 320 470**
FINANCIAL LIABILITIES BY TYPE					
Trade payables	(2 203 299)	(4 846 124)	(4 808 013)	(843 611)	(12 701 047)
Period gap					
Cumulative gap	6 351 307	(800 323)	7 460 707	(392 268)	-
	6 351 307	**5 550 984**	**13 011 691**	**12 619 423**	**12 619 423**

23 FINANCIAL RISK MANAGEMENT (continued)

23.2 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 10 and 17.

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 income/(cost) for the year ended 30 June 2019 would decrease/ increase by $80 797/ ($31 682) (2018: $178 195 / ($96 569).

23.3 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 Moldon Marketing and OK Zimbabwe, the Company does not have significant credit risk exposure to any other single counterparty. Concentration of credit risk related to Moldon Marketing and OK Zimbabwe did not exceed 37% (2018 - 3%) and 24% (2018 – 9%) respectively, of gross monetary assets at the reporting date.

23.4 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:

	CURRENCY	2019 ZWL	2018 ZWL
Payables	USD	7 259 071	-
	ZAR	717 074	9 268 521
	EUR	68 742	33 214
	Total	**8 044 887**	**9 301 735**
Closing exchange rates $1:	USD	6.4596	1.0000
	ZAR	0.4565	13.3700
	EUR	0.1347	0.8705

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 $804 489 (2018: $930 174) increase in profit before tax where the ZWL strengthens 10% against the relevant currency and vice versa.

23.5 Fair values of financial instruments

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

23 FINANCIAL RISK MANAGEMENT (continued)

23.6 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 fall-back position which is commensurate with the level of risk undertaken by the entity in the normal course of its business.

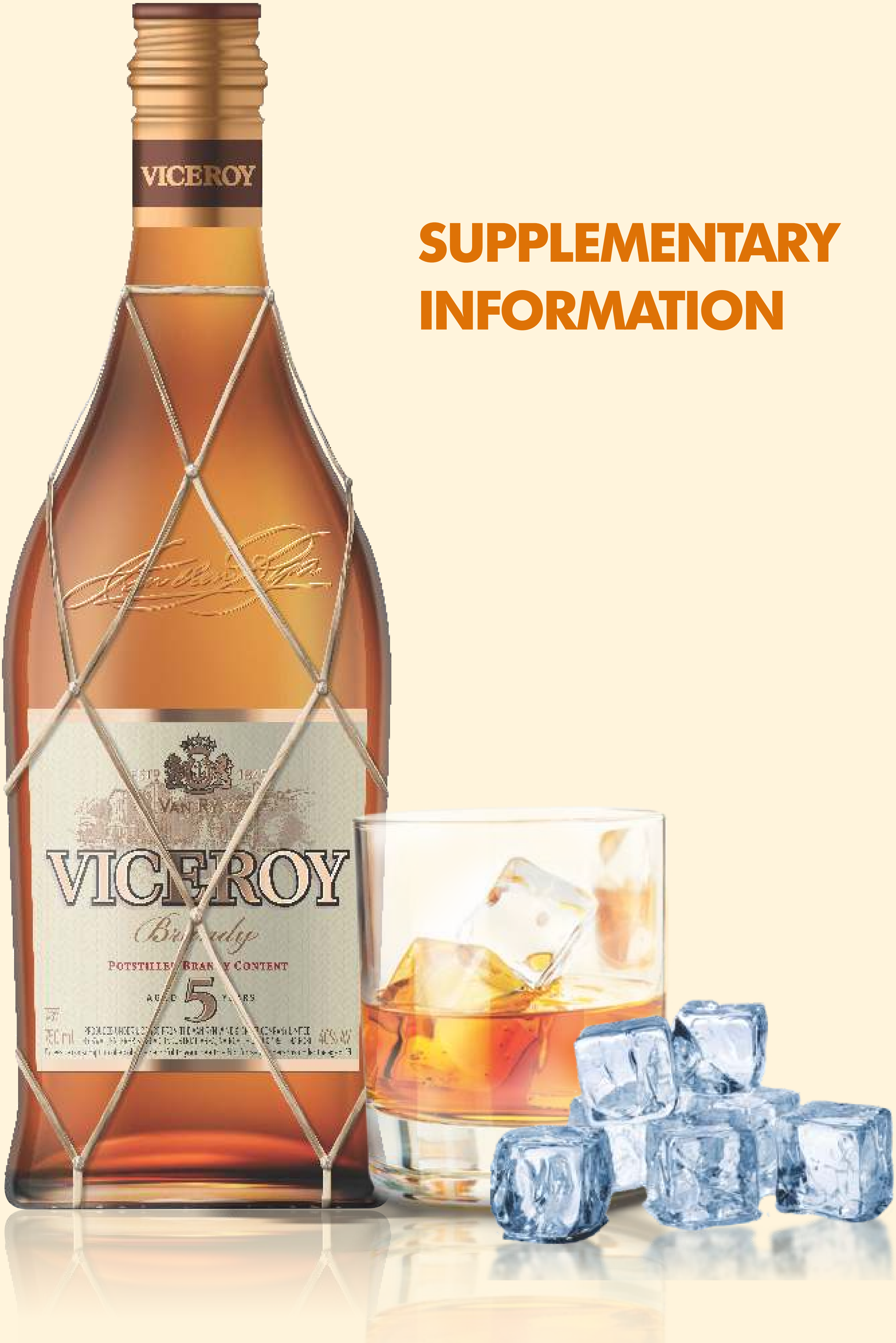
24. GOING CONCERN

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.

25. SUBSEQUENT EVENTS

There were no significant subsequent events affecting the financial statements for the year ended 30 June 2019.

SUPPLEMENTARY INFORMATION



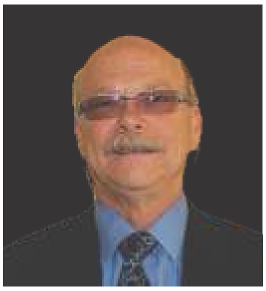
BOARD OF DIRECTORS

P. GOWERO

M. J. HOLLINGWORTH

S. W. KLOPPER

C. MALUNGA



R. H. M. MAUNSELL

S. V. RUSHWAYA

N. SAMURIWO

G. J. SCHOOLING

M. M. VALELA

C. Z. GOMBERA

M. NDACHENA

Company Secretary

L. MUTAMUKO

DIRECTORATE

30 June 2019

NON-EXECUTIVE DIRECTORS

P. Gowero - B.Sc Econ (Hons), MBL*
Chief Executive Officer, Delta Corporation Limited.
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.

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.
Retired as Board Member in December 2018.

C. Malunga - B. Acc (Hons), MBA, CA(Z)
Chief Executive Officer, Masimba Holdings Limited.
Appointed as Director in February 2019.

R. H. M. Maunsell - B. Bus. Sc.), 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.
Retired as Board Member in December 2018.

N. Samuriwo - B. Law (Hons), LLM
Managing Partner, Samuriwo Arttoneys.
Appointed as Director in February 2019.

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.

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), FCIS
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 2019

	2019				2018			
	Shareholders		Shares Held		Shareholders		Shares Held	
Size of Shareholding	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
1 - 5 000	550	76.39	532 896	0.45	548	73.17	548 701	0.47
5 001 - 10 000	56	7.78	408 170	0.35	62	8.28	460 596	0.40
10 001 - 25 000	48	6.67	819 464	0.70	55	7.34	943 215	0.81
25 001 - 50 000	21	2.92	739 113	0.63	24	3.20	846 746	0.73
50 001 - 100 000	17	2.36	1 178 607	1.00	25	3.34	1 717 285	1.47
100 001 - 200 000	8	1.11	1 078 800	0.92	12	1.60	1 669 468	1.43
200 001 - 500 000	6	0.83	2 447 597	2.09	7	0.93	2 476 656	2.13
Above 500 000	14	1.94	110 101 377	93.86	16	2.14	107 874 524	92.56
Total	**720**	**100.00**	**117 306 024**	**100.00**	**749**	**100.00**	**116 537 191**	**100.00**

CLASSIFICATION BREAKDOWN

	2019				2018			
Residents								
Companies	102	14.17	97 220 802	82.88	106	14.15	82 685 776	70.95
Pension Funds	30	4.17	7 438 097	6.34	52	6.94	8 806 633	7.56
Individuals	454	63.06	2 144 263	1.83	445	59.41	2 214 702	1.90
Nominees	40	5.56	1 398 016	1.19	45	6.01	1 509 685	1.30
Investments and Trusts	47	6.53	1 003 994	0.86	44	5.87	1 038 397	0.89
Insurance Companies	4	0.56	153 989	0.13	5	0.67	12 332 691	10.58
Other Organisations	9	1.25	19 851	0.02	14	1.87	21 532	0.02
	686	**95.30**	**109 379 012**	**93.25**	**711**	**94.92**	**108 609 416**	**93.20**
Non-Resident								
Companies	11	1.52	7 714 340	6.57	14	1.87	7 714 340	6.62
Individuals	23	3.18	212 672	0.18	24	3.21	213 435	0.18
	34	**4.70**	**7 927 012**	**6.75**	**38**	**5.08**	**7 927 775**	**6.80**
Total	**720**	**100.00**	**117 306 024**	**100.00**	**749**	**100.00**	**116 537 191**	**100.00**

TEN LARGEST SHAREHOLDERS

	2019 Number	2019 %	2018 Number	2018 %
Afdis Holdings (Pvt) Ltd	83 408 106	71.10	69 199 354	59.38
Delta Corporation Limited	10 283 976	8.77	9 557 473	8.20
Stanbic Nominees (Pvt) Ltd	8 350 788	7.12	8 604 551	7.38
Mining Industry Pension Fund	5 406 334	4.61	5 406 334	4.64
African Distillers Limited	2 549 919	2.17	2 549 919	2.19
Local Authorities Pension Fund	1 500 000	1.28	1 500 000	1.29
Distell International Limited	526 599	0.45	1 500 000	1.29
ZWM Nominees (Pvt) Ltd	491 205	0.42	529 700	0.45
Robert Maunsell	315 205	0.27	315 205	0.27
SCB Nominees	239 782	0.20	433 442	0.37
	113 071 914	**96.39**	**99 595 978**	**85.46**
Other	**4 234 110**	**3.61**	**16 941 213**	**14.54**
Total	**117 306 024**	**100.00**	**116 537 191**	**100.00**

NOTICE TO SHAREHOLDERS AND PROXIES

For the year ended 30 June 2019

Notice is hereby given that the sixty ninth 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 11.00 am on Friday 08 November 2019, for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 30 June 2019 with the Reports of the Directors and Auditors.
2. Mr C. Malunga and Mrs N. Samuriwo were appointed as Directors by the Board in February 2019. The Company's Articles of Association require that they retire at the next Annual General Meeting, but being eligible, offer themselves for election.

   In terms of Article 99 of the Company's Articles of Association, Messrs S. Klopper, G. Schooling and R.H.M. Maunsell retire from the Board by rotation, but being eligible, offer themselves for re-election. Each Director will be elected by a separate resolution.

3. To confirm the fees of Directors for the year ended 30 June 2019 of $113 444 and approve the recommendations of the Remuneration Committee for the fees for the year ending 30 June 2020.

4. To appoint Auditors for the current year and approve their remuneration for the past year ended 30 June 2019 of $405 000. Members will be asked to appoint Deloitte & Touche as auditors of the Company for the ensuing year.

SPECIAL BUSINESS

1. 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.

It will be recorded that, in terms of the Companies Act and 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 needs of the Company, and will ensure the Company will remain solvent after the re-purchase.

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

9 October 2019

CORPORATE INFORMATION AND SHAREHOLDERS' CALENDAR

30 June 2019

CORPORATE INFORMATION

BUSINESS ADDRESS & REGISTERED OFFICE
St Marnock's
Stapleford
Harare

P O Box WGT 890 or WGT 900
Harare

Telephone: +263 24 22930308/9
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
Harare

Telephone: +263 0 8677 000 261

TRANSFER SECRETARIES
Corpserve (Private) Limited
2nd Floor, ZB Centre
Kwame Nkrumah Avenue/First Street
Harare

P O Box 2208
Harare

Telephone: +263 24 2751559
Facsimile: +263 24 2752629
E-mail: corpserve@corpserve.co.zw

MAIN BANKERS
BancABC
Barclays Bank of Zimbabwe Limited
Nedbank Zimbabwe
Standard Chartered Bank

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

Telephone: +263 24 2707224
Facsimile: +263 24 2707380

SHAREHOLDERS' CALENDAR

30 June 2019
Financial year end

15 August 2019
Final approval of audited results for the year ended 30 June 2019

08 November 2019
Sixty Ninth Annual General Meeting

06 February 2020
Interim Announcement on unaudited results for six months ending 31 December 2019.

23 March 2020
Interim Dividend Payable

30 June 2020
Financial Year End

*20 August 2020
Final approval of audited results for the year ending 30 June 2020

*21 September 2020
Final dividend payable

*13 November 2020
Seventieth Annual General Meeting

* Anticipated dates

NOTES

AFRICAN DISTILLERS LIMITED

22,5km peg Lomagundi Road, Stapleford, Harare.
P. O. Box WGT 900, Westgate, Harare.
Telephone: +263 772 235 008-9, +263 242 2930256-7
Email: headoffice@afdis.co.zw
Website: www.africandistillers.co.zw