Lomagundi Road, Stapleford, Harare
www.africandistillers.co.zw

African Distillers Limited **Annual Report 2020**

AFRICAN DISTILLERS LIMITED

ANNUAL REPORT 2020


Savanna
PREMIUM CIDER
DRY

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.

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COMPANY PROFILE

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.

CORE VALUES

Our people are our greatest strength.

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

We believe in the power of working in teams.

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

We hold ourselves accountable for the commitments we make as individuals and as teams.

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

We value openness and frankness in all our communications with each other.

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

We foster an entrepreneurial spirit to enhance continuous improvement and innovation in all our work.

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

We care for our customers, consumers and communities.

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

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

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
SUMMARY				
Revenue	1 300 971	1 096 594	596 408	73 998
Operating income	438 569	244 110	272 641	25 397
EBITDA	447 953	260 510	274 900	26 268
Profit before taxation	592 032	180 644	265 302	25 057
Profit/(loss) attributable to shareholders	371 526	(5 317)	193 499	18 055
Headline earnings/(loss)	374 673	(5 362)	193 861	18 028
Cash and cash equivalents and short term investments	32 801	131 296	32 801	15 681
Total assets	1 266 480	814 734	443 660	81 799
SHARE PERFORMANCE				
Number of ordinary shares in issue (millions)	118	117	118	117
Market capitalisation (ZWL'000)	2 190 211	1 767 334	2 190 211	211 151
Number of ordinary shareholders	746	720	746	720
Middle market price (cents)	1 850	180	1 850	180
Attributable earnings/(loss) per share (cents)	316.47	(4.55)	164.83	15.45
Headline earnings/(loss) per share (cents)	319.15	(4.59)	165.69	15.43
Diluted earnings/(loss) per share (cents)	305.48	(4.53)	159.10	15.43
Dividend per share (cents)	22.60	52.15	10.00	4.50
Net asset value per share (cents)	732.89	438.07	206.43	52.17
FINANCIAL STATISTICS				
Return on shareholders' equity (%)	43	—	79	30
Dividend cover (times)	23.15	—	16.48	3.45

STATISTICS 2020

REVENUE

INFLATION ADJUSTED

ZWL1,3billion

HISTORICAL

ZWL596million

OPERATING INCOME

INFLATION ADJUSTED

ZWL438million

HISTORICAL

ZWL272million

EBITDA

INFLATION ADJUSTED

ZWL448million

HISTORICAL

ZWL275million

CHAIRMAN'S STATEMENT

30 June 2020

OVERVIEW

The Company's results have been achieved in a very difficult trading environment. Multiple negative economic factors resulted in reduced consumer disposable incomes and resultantly lower sales volumes in comparison to prior periods.

The business environment towards the end of the trading period was negatively affected by the advent of COVID-19 which significantly altered the operating landscape.

Trading summary

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

Financial Results

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

Compliance with IFRS

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

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

Future Prospects

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

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

Dividend

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

Directorate

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

Appreciation

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

P Gowero
Chairman
20 August 2020


LEMON FLAVOUR
STING
SPIRIT COOLER
TROPICAL FLAVOUR
STING
SPIRIT COOLER
WBERRY FLAVOU
TING
SPIRIT COOLER

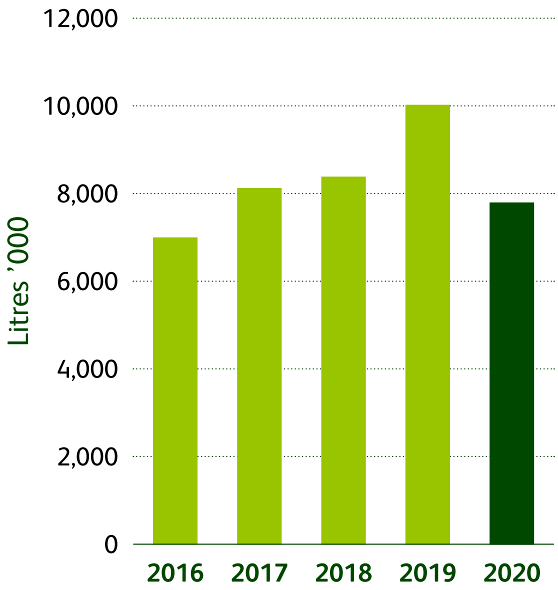
REVIEW OF OPERATIONS

30 June 2020

OVERVIEW

The trading environment remained difficult during the period under review, with depressed consumer spending and persistent challenges in accessing foreign currency.

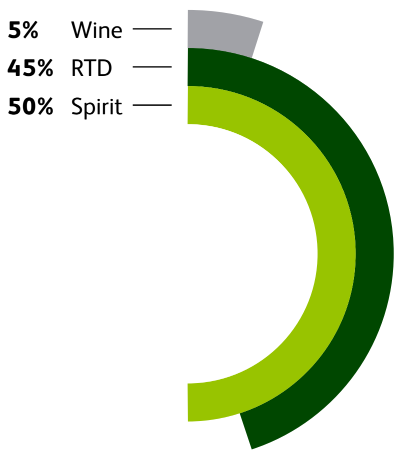
Business operations were further compromised in the fourth quarter by the restrictions to social movement that were brought about by the need to curb the spread of COVID-19. Consumer disposable income weakened further resulting in a shift in preference towards affordable products. This resulted in an increase in market place availability of discounted illicit and counterfeit spirit products. The introduction of an affordable brandy variant resulted in the spirit category contributing significantly to total volume, though total volume declined by 22% against prior year. The hyperinflationary environment saw turnover growing 706% against prior year in historical terms.



Total volume, at 7.8 million litres, was slightly below the average for the five-year period.

Spirit Category

Spirit category volume declined by 11% against prior year. White spirits grew by 60% while brown spirits declined by 37% against prior year. The affordable Cane, Vodka and Brandy lines significantly contributed to the modest volume decline of the category. The category contributed the most, at 50% to total volume and 63% to turnover.



REVIEW OF OPERATIONS (continued)

30 June 2020

RTD Category

This category declined by 30% resulting from subdued consumer spending, limited outdoor activities and closure of on-consumption channels due to COVID-19 restrictions in the fourth quarter. The category benefited slightly from the growth of spirit cooler volumes that were 5% ahead of prior year.

Wine Category

Wine volume performance was 38% below prior year in response to declining consumer disposable incomes. Disruptions in importation processes during COVID-19 lockdown in the second half further compounded this negative performance.

CORPORATE SOCIAL RESPONSIBILITY

African Distillers Limited endeavors to conduct business in a way that helps improve livelihoods in its environment and surrounding communities. In the process of delivering high quality products to its consumers, the Company creates jobs, builds skills and contributes to the fiscus.

Classroom block at St Marnock's at completion stage.

The Company continues to expand its Corporate Social Responsibility. In addition to the adoption of a ward at Harare Hospital in the previous year, it has responded to the community's plight by constructing a classroom block at St Manocks Secondary School which is almost complete. Programs to empower future generations are in place with the adoption of 10 students from the same school as well as offering attachment opportunities to University students.

DIRECTORS' REPORT

30 June 2020

The Directors present their seventieth annual report to shareholders together with the audited inflation adjusted financial statements for the year ended 30 June 2020.

FINANCIAL RESULTS

	INFLATION ADJUSTED		HISTORIC COST	
	30 June 2020 ZWL'000	30 June 2019 ZWL'000	30 June 2020 ZWL'000	30 June 2019 ZWL'000
Operating income	438 569	244 110	272 641	25 397
Net finance income/(expense)	252	1 361	(1)	125
Exchange (loss)/gain	(15 530)	11 482	(7 338)	(465)
Net monetary gain/(loss)	168 741	(76 309)	—	—
Profit before taxation	592 032	180 644	265 302	25 057
Taxation expense	(220 506)	(185 961)	(71 803)	(7 002)
Profit/(loss) for the year	371 526	(5 317)	193 499	18 055
Other comprehensive income	—	—	—	—
Total comprehensive income/(loss) for the year	371 526	(5 317)	193 499	18 055

FINANCIAL HIGHLIGHTS

Statement of Financial Position Ratios (:1)				
Current ratio	5.69	3.97	2.16	3.08
Acid test ratio	3.68	2.12	1.33	1.84
Share Performance:				
Ordinary shares in issue	118 389 792	117 306 024	118 389 792	117 306 024
Middle market price (cents)	1 850	180	1 850	180
Market capitalisation (ZWL'000)	2 190 211	1 767 334	2 190 211	211 151
ZSE industrial index	1 713.63	702.83	1 713.63	702.83

Dividends

The board declared an interim dividend of ZWL0.10 (10 cents) per share during the year and has not declared a final divided because of the uncertainties arising from the COVID-19 pandemic and measures implemented to mitigate its spread as well as the need to undertake some necessary capital projects.

SHARE CAPITAL

Authorised

At 30 June 2020, the authorised share capital of the Company is 150 000 000 (2019:150 000 000) ordinary shares of ZWL0.01.

Issued and fully paid up shares

The issued share capital at 30 June 2020 is 118 389 792 ordinary shares (2019: 117 306 024 shares).

Options

In terms of an Employees' Share Option Scheme, options outstanding at 30 June 2020 were 3 916 232 (2019: 3 448 314). There were no unallocated options at year end (2019: 1 551 686).

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 2020 was ZWL 33 475 059 (2019: ZWL 11 119 021), while receipts from disposal of property, plant and equipment were nil (2019: ZWL 1 963 518).

Borrowing powers

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

DIRECTORS' REPORT (continued)

30 June 2020

Directors and their interests

Mr R. Pieters was appointed to the Board of Directors in February 2020. The Company's Articles of Association require that he retires at the next Annual General Meeting but being eligible, offer himself for election.

In terms of Article 99 of the Company's Articles of Association, Messrs M. Valela, P. Gowero and Mrs M. Ndachena retire from the Board by rotation but, being eligible, offer themselves for re-election.

Mr G Schooling retired from the board in December 2019 and was replaced by Mr R. Pieters in February 2020.

At 30 June 2020, the Directors held, directly and indirectly, 474 041 (2019: 316 500) shares being 0.40% (2019: 0.27%) 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 2020 are set out below:

	Main Board		Audit Committee		Remuneration Committee		General Purpose Committee	
Name of Director	**Attended**	**Possible**	**Attended**	**Possible**	**Attended**	**Possible**	**Attended**	**Possible**
P Gowero	4	4	—	—	—	—	2	2
C Gombera	4	4	2	2	2	2	2	2
S W Klopper	3	4	1	1	—	—	1	1
C Malunga	3	4	1	—	—	—	—	—
R H Maunsell	3	4	1	2	—	—	2	1
M Ndachena	4	4	2	2	—	—	—	—
R Pieters*	—	1		—	—	—	—	—
N Samuriwo	4	4	—	—	1	1	1	1
G J Schooling*	2	2	1	1	2	2	1	1
M Valela	4	4	2	2	2	2	2	2

*Mr G. Schooling retired from the board in December 2019.
*Mr R. Pieters was appointed as director in February 2020.

DIRECTORS' EMOLUMENTS

Members will be asked to confirm the Directors' fees for the year-ended 30 June 2020 of ZWL 1 198 698 (2019: ZWL113 444), and to approve the recommendations of the Remuneration Committee for the fees for the year-ending 30 June 2021.

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 ZWL 5 883 395 (2019: ZWL 405 000) for the financial year-ended 30 June 2020.

ANNUAL GENERAL MEETING

The Seventieth Annual General Meeting of the Company will be held at 12:30pm on Friday 13 November 2020, at the registered office of the Company.

By Order of the Board

P Gowero
Chairman
20 August 2020

C Gombera
Managing Director

CORPORATE GOVERNANCE

30 June 2020

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

Directors of the Company 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. A non-executive director chairs the committee which meets twice a year to review compliance, internal controls and risk management. The Managing Director and Finance Director attend meetings and present reports to the committee. 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 and has direct access to the Audit Committee.

Remuneration Committee

The Remuneration Committee is chaired by a non-executive director and meets at least twice a year. 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. The Managing Director attends meetings and presents reports to the committee.

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 therefore 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 Audit Committee meets twice a year to consider issues relating to financial and accounting controls as well as risk management.

General Purpose Meeting

This is a committee of the Board whose main focus is to consider the composition and structure of the Board and its Committees, retirement, appointment and replacement of directors. It comprises of a non-executive chairman and three non-executive directors.

Certificate of Compliance by The Company Secretary

I, the undersigned, in my capacity as the Company Secretary of African Distillers Limited, hereby confirm that, to the best of my knowledge, the Company has complied with the Zimbabwe Stock Exchange Listing regulations, lodged all returns with the Registrar of Companies required of a public company in terms of the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and that such returns are true and up to date. I also confirm that the articles of Memorandum and Articles of Association of the Company were in line with the provisions of the now repealed Zimbabwe Companies Act (Chapter 24:03) and that the Company is in the process of aligning its founding documents to the new Act.

L. Mutamuko
Company Secretary
20 August 2020

DIRECTORS' RESPONSIBILITY STATEMENT

30 June 2020

To the Members of African Distillers Limited:

African Distillers Limited's ("AFDIS") Directors are required by the Companies Act 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 year 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.The financial statements which include hyperinflation accounts incorporate full and responsible disclosure in line with the International Financial Reporting Standards and best practice.

The Directors have reviewed the Company's budget and cash flow forecast for the year to 25 September 2021. 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 is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The Company's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 14 to 20

The Board recognises and acknowledges its responsibility for the system of internal financial control. The Company's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins the internal financial control process. The control system includes written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating the system is delegated to the executive Directors who confirm that they have reviewed its effectiveness.

The Directors consider the system to be appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

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 Audit Committee has met with 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. 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.

Preparer of financial statements

These annual financial statements have been prepared under the supervision of M L Ndachena CA(Z), Executive Director – Finance, a registered Public Accountant, PAAB Number 2458 and have been audited in terms of section 29(1) of the Companies and Other Entities Act (Chapter 24:31).

Approval of financial statements

The annual financial statements for the year ended 30 June 2020, which appear on pages 21 to 52, were approved by the Board of Directors on 20 August 2020 and signed on their behalf by

P Gowero
Chairman

C Gombera
Managing Director
20 August 2020
Harare

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements

Qualified Opinion

We have audited the inflation adjusted financial statements of African Distillers Limited (hereafter, "the Company") set out on pages 21 to 52, which comprise the inflation adjusted statement of financial position as at 30 June 2020, and the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted financial statements present fairly, in all material respects, the inflation adjusted financial position of the Company as at 30 June 2020, and its inflation adjusted financial performance and inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the relevant statutory instruments.

Basis for Qualified Opinion

a. Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information

For the financial year 30 June 2019, the Company did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates" as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") from 22 February 2019.

Prior to 20 February 2019, the transacting and functional currency of the Zimbabwean economy was the United States dollar ("USD"). On 20 February 2019, a currency called the RTGS Dollar (subsequently ZWL as of 24 June 2019) 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 and the USD at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates":

- 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).
- The Company transacted using a combination of USD, electronic cash, 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 2019 financial year, there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS FCA in comparison to the USD. Although RTGS was not legally recognized as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements (continued)

Basis for Qualified Opinion (continued)

a. Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information (continued)

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.

For the period up to 22 February 2019, the Company maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with SI 33/19. From 22 February 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the RTGS$ in compliance with the requirements of SI 33/19.

Whilst the timing of this conversion was in line with the dictates of SI 33/19, it constituted a departure from the requirements of IAS 21, and therefore the 2019 financial statements were not prepared in conformity with IFRS. Had the Company applied the requirements of IAS 21, the 30 June 2020 comparative inflation adjusted financial statements would have been materially impacted. The financial effects of this departure on the inflation adjusted financial statements have not been determined.

Our opinion on the current year's inflation adjusted financial statements is modified because of the possible effects of the matter on the comparability of the current year's inflation adjusted financial statements with those of the prior year.

b. Recognition of a Change in Function Currency Reserve

The inflation-adjusted statement of changes in equity reflects a functional currency reserve amounting to ZWL 147,700,448 as at 30 June 2019.

The functional currency reserve relates to the gain on conversion of net monetary and non-monetary assets to RTGS dollars (subsequently ZWL as of 24 June 2019) on change in functional currency from the USD during 2019. IAS 21 requires exchange differences arising from a change in functional currency to be recognised in the statement of profit or loss.

The Directors recognised the exchange difference gain in equity as a non-distributable reserve, which represents a material departure from the requirements of IAS 21.

Had the exchange differences been correctly recorded in the statement of profit or loss and other comprehensive income, the profit and the retained earnings balance would have increased by ZWL 147,700,448 in the 2019 financial year.

As at 30 June 2020, the change in functional currency reserve amounting to ZWL 147,700,448 was transferred to retained earnings in the statement of changes in equity. This treatment was in contravention of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which requires that this correction should have been effected as a prior period error in the 2019 comparatives.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements (continued)

Basis for Qualified Opinion (continued)

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 Inflation Adjusted 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 (including International Independence Standards) (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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted financial statements of the current year. These matters were addressed in the context of our audit of the inflation adjusted 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 Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation and disclosure of prepayments	
In 2018, the Company made a payment of US$22,5 million to Distell Limited (a related party). The payment was used to settle balances owing to Distell Limited for inventories, machinery, royalties, technical services rendered and other facilities provided to the Company with a resultant prepayment balance of ZWL 25 119 818 at 30 June 2019. Subsequent to this period, the Company has continued to trade with Distell Limited on a predominantly prepayment basis. The valuation of the prepayment balance was of significant focus due to the following: • high volume of transactions between the Company and Distell Limited during the year; • the fluctuations in the exchange rate of the ZWL to the South African Rand (ZAR) during the year; • the numerous reconciliations maintained for the separate balances (trade accounts for inventories, royalties, technical fees and other facilities); and • The volume of reconciling items in the reconciliations. The balances and transactions with Distell Limited have been disclosed in note 20 to the financial statements.	In addressing this matter, we performed the following procedures: • Obtained confirmation of balances and transactions with Distell Limited; • Inspected the reconciliation of the confirmed balances to the balances recorded in the financial statements, assessing reconciling items against supporting documents; • Held discussions with the directors to understand the terms of the arrangement entered into with Distell Limited in respect of the prepayment and obtained representations on the matter; • Re-performed the valuation of the prepayment at year-end, verifying the appropriateness of the spot rates applied in translating additional prepayments made during the current year; and • Re-performed the inflation adjustments based the ageing of the payments made, to confirm the correct determination of the inflation adjusted balance disclosed in note 20. We found that the prepayments were properly valued and the disclosures to be detailed and informative.

Key Audit Matter	How the matter was addressed in the audit
Translation of foreign denominated transactions and balances	
As detailed in note 4, the Company translates transactions at the exchange rates prevailing at the time of transacting while year-end balances are translated at the closing rate being the spot rate at the end of the reporting period. The following key events happened during the year: - The Government, through the Reserve Bank of Zimbabwe fixed the exchange rate of ZWL to the US$ at 25:1 for the period from 26 March 2020 up to 23 June 2020; and - The RBZ introduced, through a monetary policy pronouncement, the foreign exchange auction trading system and since 23 June 2020, the official rate is derived based on the weighted average prices paid by participants in the weekly auctions. The Company used significant judgment in evaluating whether the conditions and circumstances reflect a lack of exchangeability, which is other than temporary, between the reporting currency, the ZWL and transactional currencies. The factors considered in assessing the matter include: • Existence of a set official rate of exchange determined by exchange mechanisms which are administered by the jurisdictional monetary authorities; • Volume restrictions on currency exchange activity in conjunction with uncertainties about the Company's ability to obtain approval for foreign currency exchange through the established exchange mechanisms; • The ability, currently and historically, to access available legal currency exchange mechanisms in volumes needed by the Company; • Limitations on the purpose for which the desired quantity of foreign currency can be used which occurs when exchangeability of a currency is dependent upon the intended use of the foreign currency ; and • Delays in obtaining a desired quantity of foreign currency. The Company has significant foreign denominated balances as detailed in note 23.4. Due to the significance of the judgements involved, this has been considered to be a key audit matter.	In addressing this matter, we performed the following procedures: • Reviewed monetary policy pronouncements made during the year to establish their applicability and implications on the Company's financial statements; • Evaluated the directors' judgment of the impact of these events and circumstances on financial reporting, against the guidelines of IAS 21; • Assessed the rationale and reasonableness of the considerations made in determining an appropriate closing exchange rate; • Performed a sensitivity analysis for a range of exchange rates to assess the impact of the spot rates applied from when the official exchange rate was fixed; and • Reviewed the disclosures made in the financial statements for adequacy and consistency with the guidelines of IAS 21. We found that the directors applied sound judgement in their determination of the exchange rate to be applied. The disclosures are appropriate.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Chairman's Statement, the Directors' Responsibility Statement and the historical cost financial information which we obtained prior to the date of this auditor's report. The other information also comprises other reports included in the document titled "African Distillers Limited Annual Report for the year ended 30 June 2020", which is expected to be made available to us after the date of issuing our auditor's report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted 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 inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted 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 Qualified Opinion section above, we qualified our audit opinion for the following reasons:

- The Company did not comply with the requirements of IAS 21 when it changed its functional currency to the RTGS Dollar (subsequently ZWL as of 24 June 2019) during the 2019 year. The opinion is modified due to the possible effects of the matter on the comparability of the current year's inflation adjusted financial statements with those of the prior year; and
- The Company did not comply with IAS 21 when it recorded the effects of change in functional currency in a reserve directly in equity and not in the statement of profit or loss during the 2019 financial year.

We have determined that the other information is misstated for these reasons.

Responsibilities of the Directors for the Inflation Adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted 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 Inflation Adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation 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 inflation adjusted financial statements.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Inflation Adjusted Financial Statements (continued)

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 inflation adjusted 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 inflation adjusted 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of 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.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of African Distillers Limited

Report on the Audit of the Inflation Adjusted Financial Statements (continued)

Report on Other Legal and Regulatory Matters

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1)
With exception of the effects of the matter described in the Basis for Qualified Opinion section of our report, the inflation adjusted financial statements of the Company are properly drawn up in accordance with the Act and therefore give a true and fair view of the state of the Company's affairs as at 30 June 2020.

Section 193(2)
We have no matters to report in respect of the Section 193(2) requirements of the Act.

Deloitte & Touche

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

Harare
Zimbabwe

Date: 25 September 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

		INFLATION ADJUSTED		HISTORICAL*	
	Notes	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Revenue	5	1 300 971	1 096 594	596 408	73 998
Cost of sales		(614 784)	(604 609)	(223 928)	(31 767)
Gross profit		686 187	491 985	372 480	42 231
Other income		3 597	6 667	1 851	539
Distribution costs		(17 891)	(16 589)	(8 323)	(1 093)
Administrative expenses		(54 486)	(27 260)	(27 492)	(2 208)
Other operating expenses		(178 838)	(210 693)	(65 875)	(14 072)
Operating income	6	**438 569**	**244 110**	**272 641**	**25 397**
Finance income		432	2 920	119	201
Finance cost		(180)	(1 559)	(120)	(76)
Exchange (loss)/gain		(15 530)	11 482	(7 338)	(465)
Monetary (loss)/gain		168 741	(76 309)	—	—
Profit before taxation		**592 032**	**180 644**	**265 302**	**25 057**
Taxation expense	7	(220 506)	(185 961)	(71 803)	(7 002)
Profit/(loss) for the year		**371 526**	**(5 317)**	**193 499**	**18 055**
Other comprehensive income		—	—	—	—
Total comprehensive income/(loss) for the year		**371 526**	**(5 317)**	**193 499**	**18 055**
Weighted average number of shares in issue (millions)		117	117	117	117
Earnings per share (cents):					
Attributable earnings/(loss)	8.1	316.47	(4.55)	164.83	15.45
Headline earnings/(loss)	8.2	319.15	(4.59)	165.69	15.43
Diluted earnings/(loss)	8.3	305.48	(4.53)	159.10	15.43

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

		INFLATION ADJUSTED		HISTORICAL*	
	Notes	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	189 675	168 731	34 210	21 795
Long term loans	10	379	2 725	379	325
Total non-current assets		**190 054**	**171 456**	**34 589**	**22 120**
Current assets					
Inventories	11	380 043	300 184	157 027	24 117
Trade and other receivables	12	663 582	211 798	219 243	19 881
Short term investments	13	67	31 968	67	3 818
Cash and cash equivalents	14	32 734	99 328	32 734	11 863
Total current assets		**1 076 426**	**643 278**	**409 071**	**59 679**
Total assets		**1 266 480**	**814 734**	**443 660**	**81 799**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	22 206	22 192	1 159	1 148
Share premium		94 873	93 825	5 758	4 962
Share option reserve		22 793	19 163	2 555	1 127
Non-distributable reserves		—	—	5 361	5 361
Change in functional currency reserve		—	147 700	—	23 204
Accumulated profit		724 937	229 665	228 756	25 236
Total capital and reserves		**864 809**	**512 545**	**243 589**	**61 038**
Non-current liabilities					
Deferred taxation	16	212 430	140 076	10 830	1 400
Current liabilities					
Trade and other payables	17	170 871	145 585	170 871	17 388
Current tax liability		18 370	16 528	18 370	1 973
Total current liabilities		**189 241**	**162 113**	**189 241**	**19 361**
Total liabilities		**401 671**	**302 189**	**200 071**	**20 761**
Total equity and liabilities		**1 266 480**	**814 734**	**443 660**	**81 799**

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

P Gowero
Chairman
20 August 2020

C Gombera
Managing Director

STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Notes	INFLATION ADJUSTED 2020 ZWL'000	INFLATION ADJUSTED 2019 ZWL'000	HISTORICAL* 2020 ZWL'000	HISTORICAL* 2019 ZWL'000
CASH FLOW FROM OPERATING ACTIVITIES					
Operating income before finance costs and taxation	18.1	409 303	257 547	251 567	26 887
Adjustments for non-cash items	18.2	199 413	(47 416)	18 425	(127)
Cash generated from operations after non-cash items		608 716	210 131	269 992	26 760
Changes in working capital	18.3	(506 358)	(295 029)	(178 789)	(20 330)
Cash generated from operations		102 358	(84 898)	91 203	6 430
Net finance income/(expense)		252	1 361	(1)	125
Income tax paid	18.4	(146 309)	(107 263)	(45 976)	(6 349)
Net cash (utilised in)/generated from operating activities		**(43 699)**	**(190 800)**	**45 226**	**206**
CASH FLOW FROM INVESTING ACTIVITIES					
Property, plant and equipment	18.5	(33 475)	(9 155)	(15 662)	(575)
Decrease/(increase) in long term loans		2 346	4 441	(54)	44
Decrease in short term investments		31 901	306 129	3 751	13 632
Net cash generated from/(utilised in) investing activities		**772**	**301 415**	**(11 965)**	**13 101**
Net cash (utilised in)/generated from investing and operating activities		**(42 927)**	**110 615**	**33 261**	**13 307**
CASH FLOW FROM FINANCING ACTIVITIES					
Increase in shareholder funding	18.6	1 062	5 927	807	428
Dividend paid to owners of the company		(24 729)	(71 960)	(13 197)	(4 697)
Net cash utilised in financing activities		**(23 667)**	**(66 033)**	**(12 390)**	**(4 269)**
Net movement in cash and cash equivalents		**(66 594)**	**44 582**	**20 871**	**9 038**
Cash and cash equivalents at the beginning of year		**99 328**	**54 746**	**11 863**	**2 825**
Cash and cash equivalents at the end of the year		**32 734**	**99 328**	**32 734**	**11 863**
Comprising:-					
Bank balances and cash	14	**32 734**	**99 328**	**32 734**	**11 863**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June 2020

	Share Capital ZWL'000	Share Premium ZWL'000	Share Option Reserve ZWL'000	Change in Functional Currency Reserve ZWL'000	Accumulated Profit ZWL'000	Total ZWL'000
INFLATION ADJUSTED						
Balance at 30 June 2018	**22 086**	**88 004**	**9 428**	**—**	**302 184**	**421 702**
Recognition of share based payment expense	—	—	14 493	—	—	14 493
Issue of shares under employees share option plan	106	5 821	—	—	—	5 927
Recognition of listing change in functional currency	—	—	—	147 700	—	147 700
Transfer from share option reserve	—	—	(4 758)	—	4 758	—
Total comprehensive loss for the year	—	—	—	—	(5 317)	(5 317)
Dividend paid	—	—	—	—	(71 960)	(71 960)
Balance at 30 June 2019	**22 192**	**93 825**	**19 163**	**147 700**	**229 665**	**512 545**
Recognition of share based payment expense	—	—	4 405	—	—	4 405
Issue of shares under employees share option plan	14	1 048	—	—	—	1 062
Transfer to distributable reserves	—	—	—	(147 700)	147 700	—
Transfer from share option reserve	—	—	(775)	—	775	—
Total comprehensive income for the year	—	—	—	—	371 526	371 526
Dividend paid	—	—	—	—	(24 729)	(24 729)
Balance at 30 June 2020	**22 206**	**94 873**	**22 793**	**—**	**724 937**	**864 809**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

for the year ended 30 June 2020

	Share Capital ZWL'000	Share Premium ZWL'000	Share Option Reserve ZWL'000	Non-Distributable Reserve ZWL'000	Change in Functional Currency Reserve ZWL'000	Accumulated Profit ZWL'000	Total ZWL'000
HISTORICAL*							
Balance at 30 June 2018	**1 140**	**4 542**	**487**	**5 361**	**—**	**11 534**	**23 064**
Recognition of share based payment expense	—	—	984	—	—	—	984
Issue of shares under employees share option plan	8	420	—	—	—	—	428
Recognition of change in functional currency	—	—	—	—	23 616	—	23 616
Depreciation attributable to the currency uplift for the year	—	—	—	—	(412)	—	(412)
Transfer from share option reserve	—	—	(344)	—	—	344	—
Total comprehensive income for the year	—	—	—	—	—	18 055	18 055
Dividend paid	—	—	—	—	—	(4 697)	(4 697)
Balance at 30 June 2019	**1 148**	**4 962**	**1 127**	**5 361**	**23 204**	**25 236**	**61 038**
Recognition of share based payment expense	—	—	2 068	—	—	—	2 068
Issue of shares under employees share option plan	11	796	—	—	—	—	807
Transfer from share option reserve	—	—	(640)	—	—	640	—
Adjustment of foreign currency translation reserve	—	—	—	—	(626)	—	(626)
Transfer to distributable reserves	—	—	—	—	(22 578)	22 578	—
Total comprehensive income for the year	—	—	—	—	—	193 499	193 499
Dividend paid	—	—	—	—	—	(13 197)	(13 197)
Balance at 30 June 2020	**1 159**	**5 758**	**2 555**	**5 361**	**—**	**228 756**	**243 589**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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 from 22 February 2019.

The ZWL was designated as the sole transactional, functional and reporting currency through Statutory Instrument 33 of 2019 (IS33/19) dated 22 February 2019 and Statutory Instrument 142 of 2019 (SI142/19) dated 24 June 2019. In order to fairly present the statement of financial position and reflect the change of currency, the Board re-based the assets and liabilities as at 22 February 2019 at the interbank rate of ZWL2,5 to US$1. Thus, the Company recognised an increase in the net assets amounting to ZWL 147,7 million, which was recorded as a functional currency change non-distributable reserve in the 2019 financial year. This presented a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates in that the gain was not recognized in the statement of profit or loss and other comprehensive income. The reserve has been correctly classified in the current year.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

In the current year, the Company has applied new and several amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16: Leases

IFRS 16: Introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Company has no material leases and has opted to apply the exemption on the basis of materiality

Amendments to 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 'solely payments of principal and interest' (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, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The application of these amendments has had no effect on the Company's financial statements as there were no such transactions.

Amendments to IAS 19: Employee Benefits (Plan Amendment, Curtailment or Settlement).

The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The application of these amendments has had no material effect on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

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)

IFRIC 23: Uncertainty over income tax treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by a company in its income tax filings:
- If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Refer to note 3.6.4 for Company's policy on uncertain tax position.

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

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

IFRS 17: Insurance contracts.

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4: Insurance Contracts. The Standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it considers market interest rates and the impact of policy holders' options and guarantees. The implementation of the standard is likely to bring significant changes to a company's processes and systems, and will require much greater co-ordination between many functions of the business, including IT.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the company first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures (Amendments: Sale or contribution of assets between an investor and its associate or joint venture).

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors of the Company do not anticipate that the application of these amendments in the future will have an impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

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

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

IAS 1: Presentation of Financial Statements and IAS 8: Accounting policies, changes in accounting estimates and errors (Amendments: Definition of material)

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the International Accounting Standards Board (IASB) amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the Company's financial statements.

Amendments to IFRS 3: Business Combination (Definition of a business)

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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

The financial statements of the Company have been compiled adopting principles from International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations besides the issues related to IAS21 on the 2019 financial statements and the resultant carry over effects.

3.2 Basis of preparation

The financial statements of the Company are prepared under the historical cost convention. For the purpose of fair presentation in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29), this historical cost information has been restated for changes in the general purchasing power of the Zimbabwe Dollar and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statements represent the primary financial statements of the Company. The historical cost financial statements have been provided as supplementary information and as a result, the auditors have not expressed an opinion on the historical information.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used to restate the financial statements at 30 June 2020 are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of preparation (continued)

	Index	Conversion Factor
30 June 2020	1 445.21	1.00
30 June 2019	172.61	8.37
30 June 2018	62.60	23.08

The main procedures applied in the restatement of transactions and balances are as follows:

- All corresponding figures as of and for the prior year ended, are restated by applying the change in the index from the end of the prior year to the end of the current year;
- Monetary assets and liabilities, are not restated because they are already stated in terms of the measuring unit current at balance sheet date;
- Non-monetary assets and liabilities, and components of shareholders equity/funds, are restated by applying the change in index from date/month of transaction or, if applicable, from the date of their most recent revaluation to the balance sheet date;
- Property, plant and equipment and intangible assets are restated by applying the change in the index from the date of transaction, or if applicable from the date of their most recent / last revaluation, to the balance sheet date. Depreciation and amortization amounts are based on the restated amounts;
- Profit and loss statement items / transactions, except depreciation and amortization charges as explained above, are restated by applying the change in the average change in index during the period to balance sheet date;
- Gains and losses arising from net monetary asset or liability positions are included in the profit and loss statement; and
- All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

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 and 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:

Stock Category	Valuation Method
Raw materials, maturing wines and spirits	Weighted average cost
Finished goods and work in progress	Standard cost. Where applicable, an appropriate share of overhead expenses is included. Out of bond inventories also include excise and customs duties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.6.1 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 the profit or loss statement, 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.

3.6.4 Uncertain tax position

The Company reviews all its tax positions at each period end and determines whether there is any uncertainty over tax treatment. Where there are any uncertainties over income tax treatments the Company discloses judgements and assumptions made in determining taxation information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Company.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.12 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 non-financial 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 company and a financial liability or equity instrument in another company. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

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.

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 a company. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

4.1 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.

4.2 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.

4.3 Significant increase in credit risk

ECLs 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.

4.4 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

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

4.5 Long service awards

Long service awards are provided to employees who achieve certain predetermined milestones of service within the company and the expense is realised in the statement of profit or loss. The company'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.

4.6 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.

4.7 Currency change

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

4.8 Long term lack of exchangeability

The Company translates transactions at the exchange rates prevailing at the time of transacting while year-end balances are translated at the closing rate being the spot rate at the end of the reporting period. The spot rate is the rate for immediate delivery of the applicable exchange foreign currency.

The Company used significant judgment in evaluating whether, conditions and circumstances reflect a lack of exchangeability which is other than temporary, between the reporting currency, the ZWL and transactional currencies. Lack of exchangeability exists when the Company is unable to exchange currency for immediate delivery of another currency at a specified date.

In making the determination of whether there is long-term lack of exchangeability, the Company considered factors that include:

- Existence of a set official rate of exchange determined by exchange mechanisms which are administered by the jurisdictional monetary authorities.
- Volume restrictions on currency exchange activity in conjunction with uncertainties about the Company's ability to obtain approval for foreign currency exchange through the established exchange mechanisms.
- The ability, currently and historically, to access available legal currency exchange mechanisms in volumes needed by the Company.
- Limitations on the purpose for which the desired quantity of foreign currency can be used which occurs when exchangeability of a currency is dependent upon the intended use of the foreign currency.
- Delays in obtaining a desired quantity of foreign currency.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

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

4.9 Estimating rate of exchange

The Company applied significant judgment in estimating a rate of exchange of the ZWL to the US$ from the time that the Company established that there is lack of exchangeability which is other than temporary, between the ZWL and US$.

On 26 March 2020, the Government, through the Reserve Bank of Zimbabwe (RBZ), fixed the ZWL to US$ exchange rate at a rate of ZWL25: US$1, to provide for greater certainty in the pricing of goods and services in the economy. Foreign currency was however still not readily obtainable on the market at this fixed rate.

Subsequently, in June of 2020, the Monetary Policy Committee announced the introduction of a formal market-based foreign exchange trading system (the foreign exchange auction trading system), with effect from 23 June 2020.

The variation between the highest and lowest prices paid in the auctions has resulted in the assessment that the official exchange rate which is determined as a weighted average of the rates obtained by participants on the auction system, may not appropriately reflect the rate for immediate delivery of exchange foreign currency.

These conditions and circumstances which are indicative of long term lack of exchangeability necessitated the estimation of an appropriate closing rate of exchange between the US$ and ZWL.

In determining the closing rate applied at year end, the Company considered the following inputs;

- The official rate of inflation;
- The rate at which the Company accessed foreign currency on the foreign exchange auction trading system subsequent to year-end; and
- The range of ZWL to US$ exchange rates obtained on the foreign exchange auction trading system on 30 June 2020 of ZWL37.82 (lowest) to ZWL 92 (highest) as published by the Reserve Bank of Zimbabwe.

The estimated closing exchange rates applied have been disclosed in note 23.4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
5. REVENUE				
Brown spirits	485 055	509 612	226 947	35 128
Ciders	367 874	341 612	167 144	22 094
White spirits	304 601	140 936	151 458	10 074
Still wines	101 628	79 155	40 956	5 230
Liqueur	31 523	38 469	10 190	2 390
Spirit coolers	13 670	13 894	5 646	959
Sparkling wines	9 298	7 115	4 024	463
Fortified wines	9 425	7 586	3 571	433
Sparkling juice	5 326	5 540	2 193	348
Discounts	(27 429)	(47 325)	(15 721)	(3 121)
	1 300 971	**1 096 594**	**596 408**	**73 998**
6. OPERATING INCOME				
Operating income for the year is stated after:				
6.1 Impairments and profit on disposal of assets				
Impairment recognised on receivables	934	1 356	934	162
Loss/(profit) on disposal of property, plant and equipment	3 147	(45)	362	(27)
6.2 Depreciation:				
Plant and machinery	5 659	10 736	1 137	560
Motor vehicles	2 343	3 948	667	221
Office equipment	1 256	1 477	426	77
Buildings	126	239	29	13
	9 384	**16 400**	**2 259**	**871**
6.3 Auditors' remuneration:				
Current year audit fees and expenses:				
Year-end audit	5 028	3 393	3 444	405
Interim and other special audits	3 561	—	2 439	—
	8 589	**3 393**	**5 883**	**405**
6.4 Staff costs:				
Staff costs	126 132	63 837	61 135	7 174
Retirement benefit costs	17 694	3 773	8 075	451
Total	**143 826**	**67 610**	**69 210**	**7 625**
Compensation of directors and key management:				
For services as directors	4 918	950	1 199	113
For management services	26 390	14 168	10 221	1 692

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
7. TAXATION EXPENSE				
7.1 Income tax:				
Current taxation	148 151	109 481	62 373	7 585
Deferred taxation expense for the year (Note 16)	72 355	76 480	9 430	(583)
	220 506	**185 961**	**71 803**	**7 002**
7.2 Reconciliation of rate of income taxation:				
Standard Rate	25.75%	25.75%	25.75%	25.75%
Adjusted for:				
Disallowed expenditure	6.15%	(0.60%)	5.82%	5.15%
Other	5.35%	77.79%	(4.51%)	(2.96%)
Effective rate	**37.25%**	**102.94%**	**27.06%**	**27.94%**
8. EARNINGS PER ORDINARY SHARE				
8.1 Attributable earnings basis:				
8.1.1 Attributable earnings:				
Profit/(loss) attributable to shareholders (ZWL'000)	371 526	(5 317)	193 499	18 055
8.1.2 Per share:				
Earnings/(loss) per ordinary share (cents)	316.47	(4.55)	164.83	15.45
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	117	117	117
8.2 Headline earnings basis:				
8.2.1 Headline earnings:				
Profit/(loss) attributable to shareholders (ZWL'000)	371 526	(5 317)	193 499	18 055
Loss/(profit) on disposal of property, plant and equipment and investments	3 147	(45)	362	(27)
	374 673	**(5 362)**	**193 861**	**18 028**
8.2.2 Per share:				
Earings/(loss) per ordinary share (cents)	319.15	(4.59)	165.69	15.43

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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
8. EARNINGS PER ORDINARY SHARE (continued)				
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/(loss) attributable to shareholders (ZWL'000)	371 526	(5 317)	193 499	18 055
8.3.2 Weighted average number of shares (millions)	**122**	**117**	**122**	**117**
8.3.3 Per share				
Diluted earnings/(loss) per share (cents)	305.48	(4.53)	159.10	15.43
9. PROPERTY, PLANT AND EQUIPMENT				
Land and improvements				
Cost	9 387	9 387	1 211	1 211
Accumulated depreciation	—	—	—	—
	9 387	**9 387**	**1 211**	**1 211**
Buildings				
Cost	62 210	61 085	8 538	7 915
Accumulated depreciation	(11 703)	(11 578)	(1 533)	(1 501)
	50 507	**49 507**	**7 005**	**6 414**
Plant and machinery				
Cost	191 309	175 941	29 070	22 687
Accumulated depreciation	(95 025)	(89 377)	(13 063)	(11 383)
	96 284	**86 564**	**16 007**	**11 304**
Motor vehicles				
Cost	57 746	49 814	11 423	6 579
Accumulated depreciation	(34 714)	(33 287)	(4 990)	(4 318)
	23 032	**16 527**	**6 433**	**2 261**
Office equipment				
Cost	22 009	17 730	4 856	2 260
Accumulated depreciation	(12 198)	(10 984)	(1 806)	(1 655)
	9 811	**6 746**	**3 050**	**605**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED 2020 ZWL'000	INFLATION ADJUSTED 2019 ZWL'000	HISTORICAL 2020 ZWL'000	HISTORICAL 2019 ZWL'000
9. PROPERTY, PLANT AND EQUIPMENT (continued)				
Capital work in progress				
Cost	654	—	504	—
Total property, plant and equipment	**189 675**	**168 731**	**34 210**	**21 795**
Movement in net book value for the year				
At the beginning of the year	168 731	175 931	21 795	9 080
Additions	33 475	11 119	15 662	631
Arising from change in functional currency	—	—	(626)	13 399
Disposals	(3 147)	(1 919)	(362)	(32)
Depreciation charge attributable to currency uplift for the year	—	—	—	(412)
Depreciation through statement of profit or loss and other comprehensive income	(9 384)	(16 400)	(2 259)	(871)
At end of the year	**189 675**	**168 731**	**34 210**	**21 795**
10 LONG TERM LOANS				
Loans to staff	51	908	51	108
Loans to directors	328	1 817	328	217
	379	**2 725**	**379**	**325**

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

	INFLATION ADJUSTED 2020 ZWL'000	INFLATION ADJUSTED 2019 ZWL'000	HISTORICAL 2020 ZWL'000	HISTORICAL 2019 ZWL'000
11 INVENTORIES				
Finished products	179 946	180 787	56 582	12 945
Maturing spirits and wines	3 219	6 656	1 843	795
Raw materials	197 122	113 478	98 630	10 465
	380 287	**300 921**	**157 055**	**24 205**
Allowance for obsolete inventory	(244)	(737)	(28)	(88)
	380 043	**300 184**	**157 027**	**24 117**

The cost of inventories recognised as an expense during the year in respect of continuing operations was ZWL615 million (2019: ZWL605 million). The value of obsolete inventories written off during the year was ZWL0.05 million (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
12 TRADE AND OTHER RECEIVABLES				
Trade receivables	96 628	79 565	96 628	9 503
Allowance for credit losses	(1 314)	(3 571)	(1 314)	(427)
	95 314	**75 994**	**95 314**	**9 076**
Prepayments – relating to inventory purchases	566 594	127 314	122 255	9 791
Other receivables	1 674	8 490	1 674	1 014
	663 582	**211 798**	**219 243**	**19 881**

The Company has recognised an allowance for credit losses of ZWL1.3 million (2019: ZWL 3.6 million). 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 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 bases. The reduction in expected credit loss rates across all ageing categories is attributable to general improvement in performance by debtors, which resulted in relatively lower credit risk in the current year.

	Trade receivables – ageing (days)				
30 June 2020	**0 – 21**	**21 – 90**	**91 – 120**	**120 +**	**Total**
Expected credit loss rate	1%	1%	8%	39%	
Estimated total gross carrying amount at default (ZWL'000)	1 163	20	8	123	1 314

	Trade receivables – ageing (days)				
30 June 2019	**0 – 21**	**21 – 90**	**91 – 120**	**120 +**	**Total**
Expected credit loss rate	3%	3%	15%	78%	
Estimated total gross carrying amount at default (ZWL'000)	902	1 323	838	508	3 571

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, for example 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 75% (2019: 39%) of receivables are neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
12 TRADE AND OTHER RECEIVABLES (continued)				
Movement in the allowance for credit losses				
Balance at the beginning of the year	427	3 532	427	422
Increase in allowance for credit losses	934	1 356	934	162
Bad debts recovered	(5)	(134)	(5)	(16)
Bad debts written off	(42)	(1 183)	(42)	(141)
Balance at the end of the year	**1 314**	**3 571**	**1 314**	**427**

Credit period for all customers is 21 days.

Ageing of past due but not impaired	22-43 days	44-65 days	66-88 days	Over 88 days	Total past due
30 June 2020 (ZWL'000)	23 384	837	—	115	24 336
30 June 2019 (ZWL'000)	32 961	13 442	1 590	887	48 880

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
13. SHORT TERM INVESTMENTS				
Unlisted - at fair value The Company has invested excess cash holdings in order to maximise interest income.	67	31 968	67	3 818
14. CASH AND CASH EQUIVALENTS				
Bank and cash balances	32 734	99 328	32 734	11 863

15. SHARE CAPITAL

15.1 Authorised share capital

Authorised share capital comprises of 150 000 000 (2019: 150 000 000) ordinary shares.

	2020 Number of Shares	2019 Number of Shares	2020 Number of Shares	2019 Number of Shares
15.2 Issued and fully paid share capital				
At the beginning of the year	117 306 024	116 537 191	117 306 024	116 537 191
Issued during the year	1 083 768	768 833	1 083 768	768 833
Share buy-back (Note 15.6)	(2 599 819)	(2 599 819)	(2 599 819)	(2 599 819)
At the end of the year	**115 789 973**	**114 706 205**	**115 789 973**	**114 706 205**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
15. SHARE CAPITAL (continued)				
15.2 Issued and fully paid share capital (continued)				
Ordinary shares at nominal value of ZWL0.01	22 192	22 086	1 148	1 140
Exercise of share options	14	106	11	8
	22 206	**22 192**	**1 159**	**1 148**

15.3 Unissued share capital

Subject to the restrictions imposed by the Companies and Other Entities Business Act (Chapter 24.31) and the Zimbabwe Stock Exchange (ZSE), the Articles of Association permit the Directors to allocate, at their discretion, the unissued share capital of 31 610 208 ordinary shares (2019: 32 693 976 ordinary shares).

15.4 Directors' interests:

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

	DIRECT		Total	
	Beneficial	Non-beneficial	2020	2019
C Gombera	—	476	476	476
P Gowero	—	117	117	117
S W Klopper	—	117	117	117
R H M Maunsell	315 205	117	315 322	315 322
M Ndachena	140 775	117	140 892	117
M Valela	17 000	117	17 117	117
S V Rushwaya	—	—	—	117
G J Schooling	—	—	—	117
	472 980	**1 061**	**474 041**	**316 500**

The holding, directly and indirectly, of the Directors in the issued share capital is 0.40% (2019:0.27%).

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 2020	Number Of Options 2019
9 February 2017	0.60	—	908 000
1 July 2018	1.45	1 199 098	1 288 043
7 February 2019	1.53	1 165 448	1 252 271
7 February 2020	4.00	1 551 686	—
		3 916 232	**3 448 314**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	2020 ZWL'000	2019 ZWL'000
15. SHARE CAPITAL (continued)		
15.5 Employees' share option scheme - shares under option (continued)		
Movement in share options during the year		
Number outstanding at beginning of the year	3 448 314	1 676 833
New options granted during the year	1 551 686	2 540 314
Exercised during the year	(1 083 768)	(768 833)
Outstanding at year end	**3 916 232**	**3 448 314**
Breakdown as follows:		
Directors	2 476 414	1 997 089
Other key management personnel	637 366	736 319
Other management	802 452	714 906
	3 916 232	**3 448 314**

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 ZWL4 405 080 (2019: ZWL14 493 268) in respect of share options.

Unallocated share options at year end were nil (2019: 1 551 686).

In terms of the Company share option scheme, options were granted on 1 July 2018, 7 February 2019 and 7 February 2020. The estimated fair values of the options granted on these dates were ZWL1 675 017, ZWL1 632 426 and ZWL5 692 274 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 %
	7 February 2020
Grant date share price – ZWL	4.00
Exercise price	4.00
Expected volatility	150 %
Dividend yield	0.71 %
Risk free interest rate	15 %

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

15. SHARE CAPITAL (continued)

15.6 Share buy back

The effect of the cost of the share buyback (treasury shares) has been debited to reserves. The Company is holding a total of 2 599 819 (2019: 2 599 819) of its own shares as treasury stock and no additional shares were acquired during the year.

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
16. DEFERRED TAXATION				
Arising from the following:				
Property, plant and equipment	41 791	41 103	5 161	1 983
Other assets and provisions	170 639	98 973	5 669	(583)
	212 430	**140 076**	**10 830**	**1 400**
Deferred tax movement for the current year				
At the beginning of the year	140 076	63 596	1 400	1 983
Arising on current year temporary differences	81 187	76 480	9 879	(583)
Arising on change in current tax rate	(8 833)	—	(449)	—
At the end of the year	**212 430**	**140 076**	**10 830**	**1 400**
17. TRADE AND OTHER PAYABLES				
Trade payables – local	24 475	9 015	24 475	1 077
Trade payables – foreign	58 649	67 360	58 649	8 045
Accruals and other payables	87 747	69 210	87 747	8 266
	170 871	**145 585**	**170 871**	**17 388**

Trade payables and accruals are principally comprised of amounts outstanding for trade purchases and ongoing costs. The average credit year on local purchases is 30 days. In the current year, foreign purchases were paid for in cash.

Included in the foreign trade payables are creditors which are past due with a carrying amount of ZWL2 251 872 (2019: ZWL24 238 649).

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Ageing of past due				
31 - 60 days	1 413	11 082	1 413	1 324
61 - 90 days	(24)	6 863	(24)	820
91 - 120 days	(107)	268	(107)	32
121 + days	970	6 026	970	720
	2 252	**24 239**	**2 252**	**2 896**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
18. CASH FLOW INFORMATION				
18.1 Operating income before finance costs and taxation:				
Operating income	438 569	244 110	272 641	25 397
Realised exchange (loss)/gain	(29 266)	13 437	(21 074)	1 490
	409 303	**257 547**	**251 567**	**26 887**
18.2 Non-cash items				
Depreciation (notes 6.2)	9 384	16 400	2 259	871
Loss/(profit) on disposal of property, plant and equipment (note 6.1)	3 147	(45)	362	(27)
Unrealised exchange gain/(loss)	13 736	(1 955)	13 736	(1 955)
Monetary (loss)/gain	168 741	(76 309)	—	—
Share option expense	4 405	14 493	2 068	984
	199 413	**(47 416)**	**18 425**	**(127)**
18.3 Changes in working capital:				
Increase in inventories	(79 860)	(82 275)	(132 910)	(10 852)
Increase in trade and other receivables	(451 784)	(111 430)	(199 362)	(12 426)
Increase in trade and other payables	25 286	(101 324)	153 483	2 948
	(506 358)	**(295 029)**	**(178 789)**	**(20 330)**
18.4 Income tax paid				
Liability at the beginning of the year	16 528	14 310	1 973	737
Current tax (note 7.1)	148 151	109 481	62 373	7 585
Liability at the end of the year	(18 370)	(16 528)	(18 370)	(1 973)
	146 309	**107 263**	**45 976**	**6 349**
18.5 Property, plant and equipment:				
Acquisition of property, plant and equipment:				
Expand operations	(3 296)	(7 401)	(1 542)	(420)
Replacements	(30 179)	(3 718)	(14 120)	(211)
Proceeds on disposal of property, plant and equipment	—	1 964	—	56
	(33 475)	**(9 155)**	**(15 662)**	**(575)**
18.6 Increase in shareholder funding				
Proceeds of shares issued:				
Share options exercised	1 062	5 927	807	428
	1 062	**5 927**	**807**	**428**

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL Cents	2019 ZWL Cents	2020 ZWL Cents	2019 ZWL Cents
19. DIVIDENDS				
Interim dividend declared	22.60	43.36	10.00	3.00
Final – proposed	—	8.79	—	1.50
	22.60	**52.15**	**10.00**	**4.50**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED 2020 ZWL'000	INFLATION ADJUSTED 2019 ZWL'000	HISTORICAL 2020 ZWL'000	HISTORICAL 2019 ZWL'000
20. RELATED PARTY TRANSACTIONS				
Delta Corporation Ltd and Distell Ltd (SA) each have an effective shareholding of 50.43% (2019: 50.37%) and 29.90% (2019: 30.39%) respectively in the Company.				
Afdis Holdings (Pvt) Ltd has a shareholding of 70.45% (2019: 71.10%) which is split between Delta Limited and Distell Limited as follows:				
Delta Limited – 41.22% (2019: 41.60%)				
Distell Limited – 29.23% (2019: 29.50%)				
The following transactions were carried out with related parties at arm's length and in accordance with normal business operations of the Company:				
Distell Ltd (SA)				
Loan interest	359	—	227	—
Purchase of raw materials	48 390	229 547	30 235	27 425
Purchase of finished products for resale	15 033	192 510	6 439	23 000
Purchase of property, plant and equipment and spares	853	561	344	67
Dividend payable (direct shareholding in Afdis Limited)	3 460	29 873	3 460	3 569
Royalties on finished goods produced and sold under license	27 687	9 492	12 045	1 134
	95 782	**461 983**	**52 750**	**55 195**
Delta Corporation Ltd				
Purchase of raw materials	5 524	—	1 551	—
Dividends paid (direct shareholding in Afdis Limited)	1 357	3 281	1 028	392
Fork lift hire	1 742	—	647	—
Technical fees	436	1 071	128	128
	9 059	**4 352**	**3 354**	**520**
Afdis Holdings (Pvt) Ltd.				
Dividends paid	**11 010**	**23 746**	**8 341**	**2 837**
Year-end balances (receivable)/payable				
Delta Corporation Ltd – technical fees	—	134	—	16
Distell Ltd (SA) – raw materials and finished products	(337 112)	(25 119)	(55 050)	(3 001)
Distell Ltd (SA) – royalties	32 002	—	32 002	—
Afdis Holdings (Pvt) Ltd – dividends payable	3 460	29 873	3 460	3 569
	(301 650)	**4 888**	**(19 588)**	**584**
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:				
Short term benefits	23 831	12 885	9 160	1 539
Post-employment benefits	2 559	1 283	1 061	153
	26 390	**14 168**	**10 221**	**1 692**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
20. RELATED PARTY TRANSACTIONS (continued)				
20.2 Directors' emoluments				
Fees as directors	4 918	950	1 199	113
Managerial services	26 390	14 168	10 221	1 692
	31 308	**15 118**	**11 420**	**1 805**
20.3 Loans to key management				
Refer to Note 10 for terms of the loans	328	1 817	328	217

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.

22 PENSION FUNDS

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

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
African Distillers Pension Fund – defined contribution	7 345	3 775	3 091	451
National Social Security Authority Scheme	886	444	373	53
	8 231	**4 219**	**3 464**	**504**

22.1 African Distillers Pension Fund

As at 30 June 2020, 218 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 is limited to specific contributions legislated from time to time. These are presently 4.5% (2019: 3.5%) of pensionable emoluments up to a maximum of ZWL5 000 (2019: ZWL700) per month for each employee in historical terms.

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 a US$100,000 short term loan facility at an interest rate of 6% per annum with Distell Limited for financing foreign currency import duties on imported finished goods. The facility was fully paid up as at year-end but remains available should the Company need to make use of it.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

23 FINANCIAL RISK MANAGEMENT (continued)

23.1 Liquidity risk management (continued)

	0-1 month ZWL'000	2-6 months ZWL'000	7-12 months ZWL'000	Above 12 months ZWL'000	Carrying amount ZWL'000
LIQUIDITY GAP ANALYSIS					
AS AT 30 JUNE 2020					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	32 734	—	—	—	32 734
Money market investments	67	—	—	—	67
Long term loans	—	—	—	379	379
Trade receivables	95 417	1 211	—	—	96 628
	128 218	**1 211**	**—**	**379**	**129 808**
FINANCIAL LIABILITIES BY TYPE					
Trade payables	(4 118)	(18 356)	(60 650)	—	(83 124)
Period gap	124 100	(17 145)	(60 650)	379	—
Cumulative gap	124 100	106 955	46 305	46 684	46 684
LIQUIDITY GAP ANALYSIS					
AS AT 30 JUNE 2019					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	99 328	—	—	—	99 328
Money market investments	19 226	—	—	—	19 226
Savings bonds	—	12 742	—	—	12 742
Long term loans	—	—	—	2 725	2 725
Trade receivables	42 042	37 230	293	—	79 565
	160 596	**49 972**	**293**	**2 725**	**213 586**
FINANCIAL LIABILITIES BY TYPE					
Trade payables	(4 118)	(18 356)	(53 901)	—	(76 375)
Period gap	156 478	31 616	(53 608)	2 725	—
Cumulative gap	156 478	188 094	134 486	137 211	137 211

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 2020 would decrease/increase by ZWL 23 810/(ZWL 20 065) (2019: ZWL 676 271/(ZWL 265 178).

23 FINANCIAL RISK MANAGEMENT (continued)

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 and 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 conditions of customers. Apart from OK Zimbabwe and TM Pick n Pay, the Company does not have significant credit risk exposure to any other single counterparty. Concentration of credit risk related to TM and OK Zimbabwe did not exceed 18% (2019 - 22%) and 31% (2019 – 22%) 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:

		INFLATION ADJUSTED		HISTORICAL	
	Currency	2020 ZWL'000	2019 ZWL'000	2020 ZWL'000	2019 ZWL'000
Payables	USD	(4 276)	60 781	(4 276)	7 259
	ZAR	(58 684)	6 001	(58 684)	717
	EUR	4 311	578	4 311	69
Total		**(58 649)**	**67 360**	**(58 649)**	**8 045**
Closing exchange rates ZWL:	USD	80.0000	6.4596	80.0000	6.4596
	ZAR	4.6613	0.4565	4.6613	0.4565
	EUR	90.8000	0.1347	90.8000	0.1347

Using a 10% sensitivity on change in foreign currency rates used to adjust the translation of outstanding foreign currency denominated monetary items at year end, the effect on profit and loss would be an increase of $5 996 (2019: $6 734) 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.

23.6 Capital risk management

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

The Company'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 Company 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 Company in the normal course of its business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

24. GOING CONCERN

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

The Board is concerned about the deteriorating operating environment as indicated by hyperinflation, rapid changes to the policy environment, weak local currency and the existence of multiple and disparate exchange rates. The shortages of foreign currency in the formal banking channels has caused delays in the settlement of overdue external obligations. This resulted in the termination of credit facilities by foreign suppliers and created a mandatory need for the Company to make upfront payments for future inventory orders for business continuity.

In order to ensure business continuity, in 2018, 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).

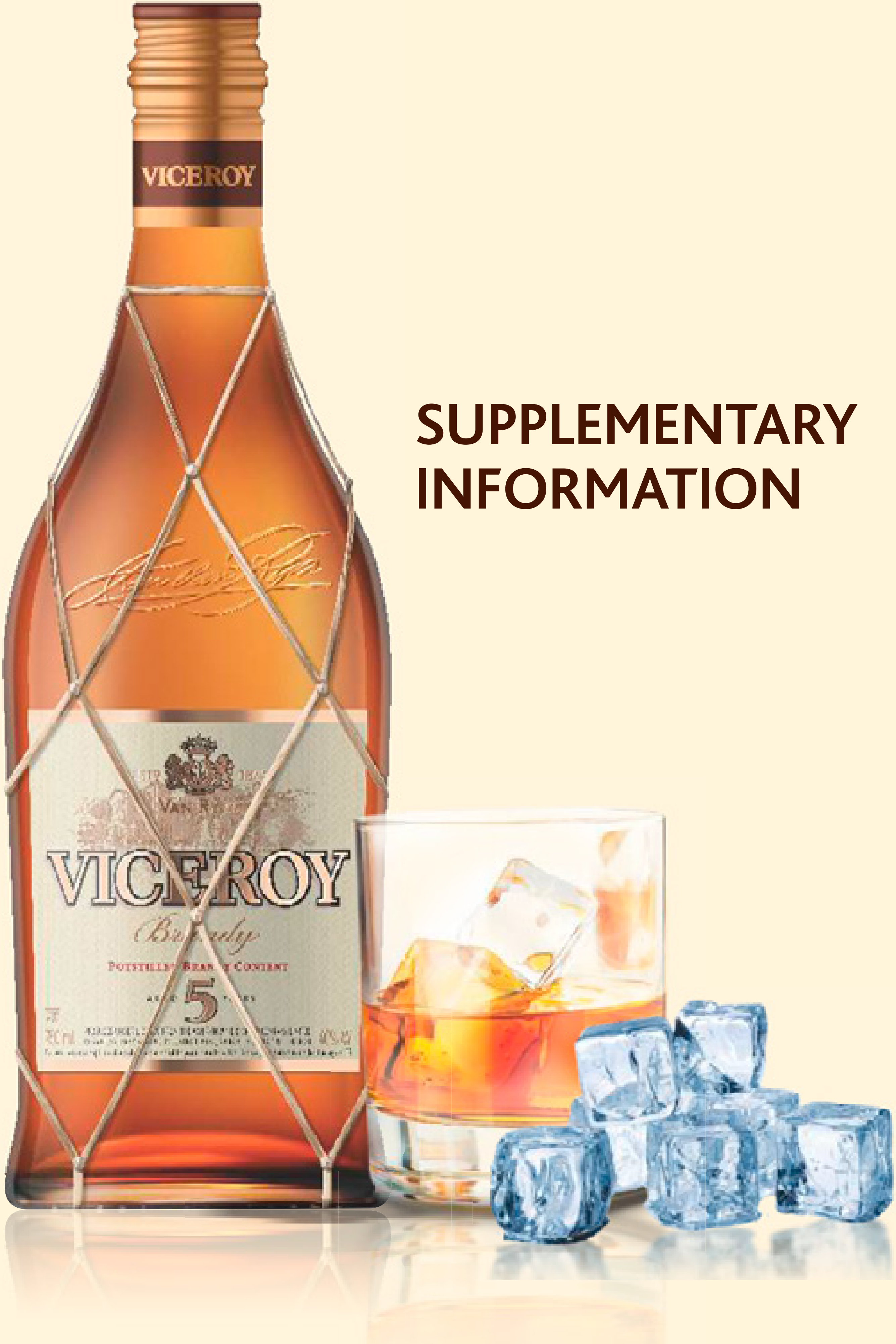
The introduction of the foreign exchange auction trading system and the temporary relaxation of Companies receiving cash from sales in foreign currency during the COVID pandemic will assist immensely the Company's ability to meet its foreign currency requirements in the ensuing period.

COVID-19

The World Health Organisation (WHO) declared COVID-19 as a pandemic in January 2020. The Government has declared the pandemic a national disaster and has followed the World Health Organisation (WHO) guidelines on awareness, hygiene and curtailed social and business activities since mid-March 2020. The national, regional and global responses that were implemented and may remain in place to counteract COVID-19, have pervasive and negative impacts on the economy and the Company's business activities. Business performance in the last quarter of the year under review was subdued to some extent owing to the lockdown. Sales volumes across the product categories were affected as consumers adjusted to the new normal. The alert levels have gradually been eased from the end of May 2020. The Company has implemented enhanced measures on hygiene, provision of sanitary equipment, disinfection and decongesting work places. The manufacturing and distribution operations have remained functional, forecasts have shown sales volumes well above the breakeven levels. The Board cannot reasonably estimate the duration and severity of the pandemic at this stage as the COVID-19 pandemic is complex and rapidly evolving. Management have implemented mitigatory measures that will ensure that the Company remains in operation.

25. SUBSEQUENT EVENTS

There were no significant subsequent events affecting the financial statements for the year ended 30 June 2020.



SUPPLEMENTARY INFORMATION

DIRECTORATE

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.

C Malunga - B.Acc (Hons), MBA, CA (Z) #
Appointed as Director in February 2019

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

R Pieters - Dip in Marketing and Business Management. *
Appointed as director in February 2020.

N Samuriwo - B. Law (Hons), LLM *
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, retired in December 2019.

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 and appointed in November 2012

COMPANY SECRETARY

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

EXECUTIVE DIRECTORS

 # 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.

BOARD OF DIRECTORS

Pearson Gowero
B.Sc Econ (Hons), MBL
Chief Executive Officer, Delta Corporation Limited. Appointed as Director in August 2015 and as Chairman in November 2015.

Cecil 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.

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

Canada Malunga
B.Acc (Hons), MBA, CA(Z)
Appointed as Director in February 2019. He is the Chief Executive Officer at Masimba Holdings.

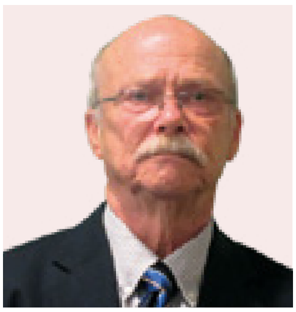
G J Schooling
B.Comm
Group General Manager: Africa, Distell Group, South Africa. Appointed as director in May 2009, retired in December 2019.

Ryan Pieters
Dip in Marketing and Business Management
Head of Sales & Distribution Africa, Distell Group South Africa. Appointed as Director in February 2020.

Muchaneta Ndachena
B.Acc (Hons), CA(Z), MBA
Finance Director – Joined and appointed in November 2012

Nancy Samuriwo
B. Law (Hons), LLM
Managing Partner at Samuriwo Attorneys. Appointed as Director in February 2019.

Matts M. Valela
B TECH (Accounts), CA(Z)
Executive Director Finance, Delta Corporation Limited. Appointed as Director in August 2011.



Rob. H. M Maunsell
B.Bus.Sc, CA(Z)
Appointed as Director in August 2003.

EXECUTIVE COMMITTEE

Cecil Z. Gombera
B.A (Hons) Business Studies, MBA
Managing Director – effective July 2013. Joined in October 2012.

Muchaneta Ndachena
B. Acc (Hons), CA(Z), MBA (UZ)
Finance Director – Joined and appointed in November 2012

Arthur Kamusoko
BBA (IMM), MBA
Head of Trade – Joined in March 2018.

Clement Ndengu
Dip. Brewing, Bsc,
Msc, MBA, PhD, GradCE
Supply Chain Director – Joined in January 2015.

Lydiah Mutamuko
B.Acc (Hons), FCIS
Appointed as Company Secretary in January 2011.

Donna Marowa
BBS (Hons), MBA
Brands Manager – Joined in May 2011.

SHAREHOLDERS' ANALYSIS

30 June 2020

	2020				2019			
	SHAREHOLDERS		SHARES HELD		SHAREHOLDERS		SHARES HELD	
Size of Shareholding	Number	%	Number	%	Number	%	Number	%
1 - 5 000	560	75.07	535 708	0.45	550	76.39	532 896	0.45
5 001 - 10 000	61	8.18	445 928	0.38	56	7.78	408 170	0.35
10 001 - 25 000	53	7.10	903 463	0.76	48	6.67	819 464	0.70
25 001 - 50 000	25	3.35	895 224	0.76	21	2.92	739 113	0.63
50 001 - 100 000	16	2.14	1 150 606	0.97	17	2.36	1 178 607	1.00
100 001 - 200 000	11	1.47	1 532 312	1.29	8	1.11	1 078 800	0.92
200 001 - 500 000	6	0.80	2 218 108	1.87	6	0.83	2 447 597	2.09
Above 500 000	14	1.88	110 708 443	93.51	14	1.94	110 101 377	93.86
Total	**746**	**100**	**118 389 792**	**100.00**	**720**	**100**	**117 306 024**	**100.00**

CLASSIFICATION BREAKDOWN

	2020 Number	2020 %	2020 Shares	2020 %	2019 Number	2019 %	2019 Shares	2019 %
Residents								
Companies	106	14.21	98 287 068	83.02	102	14.17	97 220 802	82.88
Pension Funds	36	4.83	7 553 662	6.38	30	4.17	7 438 097	6.34
Individuals	463	62.06	2 139 972	1.81	454	63.06	2 144 263	1.83
Nominees	47	6.30	1 756 404	1.48	40	5.56	1 398 016	1.19
Investments and Trusts	47	6.30	501 777	0.42	47	6.53	1 003 994	0.86
Insurance Companies	5	0.67	209 289	0.18	4	0.56	153 989	0.13
Other Organisations	8	1.07	16 808	0.01	9	1.25	19 851	0.02
	712	**95**	**110 464 980**	**93**	**686**	**95**	**109 379 012**	**93**
Non-Resident								
Companies	11	1.47	7 714 340	6.52	11	1.53	7 714 340	6.58
Individuals	23	3.08	210 472	0.18	23	3.19	212 672	0.18
	34	5	7 924 812	7	34	5	7 927 012	7
Total	**746**	**100**	**118 389 792**	**100**	**720**	**100**	**117 306 024**	**100**

TEN LARGEST SHAREHOLDERS

	2020 Number	2020 %	2019 Number	2019 %
Afdis Holdings (Pvt) Ltd	83 408 106	70.45	83 408 106	71.10
Delta Corporation Limited	10 891 042	9.20	10 283 976	8.77
Stanbic Nominees (Pvt) Ltd	8 417 784	7.11	8 350 788	7.12
Mining Industry Pension Fund	5 406 334	4.57	5 406 334	4.61
African Distillers Limited	2 549 919	2.15	2 549 919	2.17
Local Authorities Pension Fund	1 500 000	1.27	1 500 000	1.28
Distell International Limited	788 315	0.67	526 599	0.45
Robert Maunsell	315 205	0.27	491 205	0.42
SCB Nominees	304 234	0.26	315 205	0.27
Guramatunhu Family Trust	170 000	0.14	239 782	0.20
	113 750 939	**96.08**	**113 071 914**	**96.39**
	4 638 853	**3.92**	**4 234 110**	**3.61**
	118 389 792	**100.00**	**117 306 024**	**100.00**

NOTICE TO SHAREHOLDERS AND PROXIES

for the year ended 30 June 2020

Notice is hereby given that the seventieth 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 12.30 pm on Friday13 November 2020, for the purposes tabulated below. Shareholders will be asked to connect and attend the meeting virtually via the link: https://escroesgm.com/eagmZim/Login.aspx

ORDINARY BUSINESS

1. STATUTORY FINANCIAL STATEMENTS
   To receive and adopt the financial statements for the year ended 30 June 2020 together with the Reports of the Directors and Auditors.

2. TO APPOINT DIRECTORS
   Mr R Pieters was appointed as Director by the Board in February 2020. The Company's Articles of Association require that he retires at the next Annual General Meeting but being eligible offer himself for election.

   In terms of Article 99 of the Company's Articles of Association, Messrs M. Valela, P.Gowero and Mrs M.L Ndachena retire from the Board by rotation but, being eligible, offer themselves for re-election.

3. To confirm the fees of Directors for the year ended 30 June 2020 of $1 198 698 and approve the recommendations of the Remuneration Committee for the fees for the year ending 30 June 2021.

4. To appoint Auditors for the next financial year and approve their remuneration for the past year ended 30 June 2020 of $5 883 395.

SPECIAL BUSINESS

1. **SHARE APPRECIATION RIGHTS SCHEME – 2020**
   To Resolve with or without amendments:
   That the "African Distillers Limited Share Appreciation Rights Scheme - 2020" be and is hereby authorised for implementation and that the Directors can allocate up to 5 000 000 (Five million) ordinary shares to this Scheme. The rules of the Scheme will be available for inspection at the registered office of the Company fourteen (14) days before the meeting.

NOTICE TO SHAREHOLDERS AND PROXIES (continued)
for the year ended 30 June 2020

2. SHARE BUY BACK

Shareholders will be asked to consider and if deemed fit, to resolve with or without amendments, THAT the Company authorises in advance, in terms of Section 128 of the Companies and Other Business Entities Act (Chapter 24:31) 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 Companies and Other Business Entities Act and the regulations of the Zimbabwe Stock Exchange, it is the intention of the Directors of the Company to utilise this authority at a future date provided the cash resources of the Company are in excess of its requirements and the transaction is considered to be in the best interests of shareholders generally. In considering cash resource availability the Directors will take account of, inter alia, the long-term cash need of the Company and will ensure the Company will remain solvent after the re-purchase.

3. ADOPTION AND SUBSTITUTION OF A NEW ARTICLES OF ASSOCIATION FOR THE COMPANY

To resolve as a special resolution, the adoption and substitution of a new Articles of Association for the Company compliant with the requirements of the new Companies and Other Business Entities Act (Chapter 24:31) and the new ZSE Listing Requirements (Statutory Instrument 134/2019).

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

Mutamuko

L Mutamuko
Company Secretary
St Marnock's
Stapleford
Harare
Zimbabwe

06 October 2020

CORPORATE INFORMATION AND SHAREHOLDERS' CALENDAR

30 June 2020

CORPORATE INFORMATION

Business Address & Registered Office
St Marnock's
Stapleford
Harare

P O Box WGT 890 or WGT 900
Harare

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

Auditors
Deloitte & Touche Chartered Accountants (Zimbabwe)
West Block
Borrowdale Office Park
Borrowdale Road
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: +263-4-751559
Facsimile: +263-4-752629
E-mail: corpserve@corpserve.co.zw

Main Bankers
Nedbank Zimbabwe Limited
First Capital Bank
Stanbic Bank
Standard Chartered Bank

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

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

SHAREHOLDERS' CALENDAR

30 June 2020
Financial year end

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

13 November 2020
Seventieth Annual General Meeting

25 February 2021
Interim Announcement on unaudited results for six months ending 31 December 2020.

30 April 2021
Interim Dividend Payable

30 June 2021
Financial Year End

* 19 August 2021
  Final approval of audited results for the year ending 30 June 2021

* 27 September 2021
  Final dividend payable

* 12 November 2021
  Seventy First Annual General Meeting

* Anticipated dates