

# AFRICAN DISTILLERS LIMITED

(Incorporated in Zimbabwe)

# AFRICAN DISTILLERS LIMITED REVIEWED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

### **FINANCIAL HIGHLIGHTS**

### **Inflation Adjusted** Volume up 66%

- Revenue up 55% to ZW\$2.6 billion
- Operating income down 46% to ZW\$226 million
- Net cash on hand of ZW\$174 million
- Earnings per share at ZW\$38.71 cents

### **Historical Cost**

- Revenue up 187% to ZW\$2.4 billion
- Operating income up 47% to ZW\$480 million
- Net cash funds on hand of ZW\$174 million
- Earnings per share at ZW\$257.58 cents
- Interim dividend declared ZW\$84 million
- Government taxes remitted ZW\$746 million

### **CHAIRMAN'S STATEMENT**

# Overview

The economic environment for the six months period under review was relatively stable anchored on the good agricultural season as well as the partial easing of COVID-19 lockdown restrictions. As a result, there was improved consumer demand across the business' product portfolio. The ability to trade in foreign currency, though constrained, helped sustain business operations.

Volume increased by 66% over same period last year. Ready to drink volume at 116% against prior period witnessed the largest growth of the three categories. This was largely attributed to improved availability of Ciders. Wines and Spirits grew by 88% and 34% respectively. The Company, however, continues to observe the presence of cheap and illicit spirits in small packs.

### Financial performance

In inflation adjusted terms, revenue increased by 55% to ZW\$2.6 billion whilst operating income declined to ZW\$226 million. In historical cost terms, revenue increased by 187% to ZW\$2,4 billion whilst operating income increased by 47% to ZW\$480 million. The slower growth in operating income is as a result of cost normalisation, increased distribution and COVID-19 related expenses. Growth in revenue in both inflation and historical terms was due to firm demand which resulted in higher volumes.

Net cash on hand was ZW\$174 million.

The operating environment is expected to remain relatively stable, and management continues to focus on exploring revenue and profitability growth opportunities through product innovation, market share protection, production efficiencies and cost containment. Cost containment measures will include local production of some brands such as 4th Street. This will ensure enhancement of shareholder value.

The health and safety of employees and stakeholders remain of paramount importance to the business during the COVID-19 pandemic. The Company continues to implement COVID-19 mitigatory measures that will ensure business continuity.

The board has recommended an interim dividend of ZW\$ 70 cents per share, amounting to ZW\$83.6 million.



### Chairman 16 November 2021

# **Dividend Declaration**

Notice is hereby given that the Board of Directors declared an interim dividend, number 92, of ZW\$ 70 cents per share payable in respect of all the qualifying ordinary shares of the Company. This dividend is in respect of the half year ended 30 September 2021.

	INTERIM DIVIDEND
Dividend Number	92
Announcement Date	18 November 2021
Record Date	03 December 2021
Last Date to Trade	30 November 2021
Ex-Dividend Date	01 December 2021
Payment Date	28 December 2021
Dividend Amount	ZW\$ 83.6 million
Dividend per Share	ZW\$ 70 cents

By order of the Board

Mutamuko

L. Mutamuko Company Secretary

For the half year ended 30 September 2021

# REVIEWED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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	Notes	Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Supplementary Information ZW\$ 000	Supplementary Information ZW\$ 000	
Revenue Cost of sales	3	2 641 761 (1 745 788)	1 705 684 ( 866 552)	2 429 555 (1 353 800)	847 516 ( 314 093)	
Gross profit		895 973	839 132	1 075 755	533 423	
Other income Distribution costs Administrative expenses Other operating expenses		8 128 ( 57 209) ( 60 818) ( 559 747)	7 826 ( 17 774) ( 56 460) ( 353 980)	7 561 ( 52 872) ( 55 861) ( 494 382)	4 297 ( 10 331) ( 26 634) ( 173 191)	
Operating income Interest income Interest expense Net exchange (loss)/gain Net monetary loss		226 327 594 ( 3 137) ( 49 735) ( 34 745)	418 744 229 ( 234) 37 403 ( 140 112)	480 201 546 ( 2 848) ( 44 858)	327 564 103 ( 71) 40 081	
Profit before taxation Taxation	4 6	139 304 ( 93 259)	316 030 ( 159 779)	433 041 ( 126 673)	367 677 ( 91 449)	
Profit for the period		46 045	156 251	306 368	276 228	
Other comprehensive income Total comprehensive income		46 045	156 251	306 368	276 228	
Earnings per share (Cents) : Basic Headline Diluted		38. 71 38. 72 37. 66	132. 38 234. 34 227. 97	257. 58 257. 58 250. 58	234. 03 234. 34 227. 97	

# REVIEWED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		INFLATION ADJUSTED		HISTOI	HISTORIC COST	
	S	eptember 2021	March 2021	September 2021 Supplementary	March 2021 Supplementary	
	Notes	Reviewed ZW\$ 000	Audited ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000	
ASSETS						
Non-current assets						
Property, plant and equipment	7	476 200	443 723	108 339	61 667	
Long term loans		19 672	11 923	19 672	9 846	
		495 872	455 646	128 011	71 513	
Current assets						
Inventories	8	883 379	1 025 324	695 773	588 547	
Trade and other receivables	9	826 199	677 234	757 752	478 792	
Short term investments	10	69	82	69	68	
Cash and cash equivalents		173 882	90 596	173 882	74 814	
		1 883 529	1 793 236	1 627 476	1 142 221	
Total assets		2 379 401	2 248 882	1 755 487	1 213 734	
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital		51 351	51 338	1 161	1 150	
Share premium		221 066	219 332	7 306	5 715	
Share option reserve		64 037	57 415	12 090	6 072	
Non-distributable reserve				5 361	5 361	
Accumulated profit		1 129 878	1 085 471	965 643	660 838	
Total capital and reserves		1 466 332	1 413 556	991 561	679 136	
Non-current liabilities						
Deferred taxation		153 763	188 085	4 620	108	
Current liabilities						
Trade and other payables	11	698 617	558 230	698 617	460 985	
Current tax liability		60 689	89 011	60 689	73 505	
-		759 306	647 241	759 306	534 490	
Total liabilities		913 069	835 326	763 926	534 598	
Total equity and liabilities		2 379 401	2 248 882	1 755 487	1 21 <mark>3 734</mark>	
Ordinary shares in issue (Actual) (millio	ns)	119	118	119	118	
Ordinary shares in issue (Weighted ave	rage) (millions)	119	118	119	118	
Current ratio (: 1)	(1111110110)	2	3	2	2	
Shareholders' equity per share (Cents)		1 232	1 198	833	576	
Middle market price (Cents)		7 500	2 400	7 500	2 400	
		. 550	00	. 200		

REVIEWED CONDENSED INTERIM STATEMENT OF CASH FLOWS For the half year ended 30 September 2021						
,	INFLATION September 2021	ADJUSTED September 2020	HISTORIC COST September 2021 September 2020			
Notes	Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Supplementary Information ZW\$ 000	Supplementary Information ZW\$ 000		
Cash flow from operating activities						
Cash generated from trading after non-cash items 12	220 441	474 629	460 352	361 177		
Changes in working capital	196 648	( 153 580)	(97 758)	(244 159)		
Cash generated from operations	417 089	321 049	362 594	117 018		
Interest received	594	229	546	103		
Interest paid	(3 137)	( 234)	(2848)	(71)		
Income tax paid  Net cash generated from operating activities	(155 903) 258 643	( 132 887) 188 157	(134 977)	( 55 679) 61 371		
Net cash generated from operating activities	236 643	100 137	220 310	01 3/1		
Cash flow from investing activities						
Purchase of property, plant and equipment	( 56 270)	(51 780)	( 52 155)	(23 614)		
Additional long term loans issued	(7 749)	( 184)	(9826)	( 122)		
Decrease/ (increase) in short term investments	(64 006)	<u>173</u> ( 51 791)	(61 982)	(23 737)		
Net cash utilised in investing activities	( 64 006)	(51 /91)	(61 982)	(23 /3/)		
Net cash generated from investing and operating activities	194 637	136 366	163 333	37 634		
Cash flow from financing activities	(=4.000)		. == == \			
Dividends paid to owners of the Company Repayment of short term borrowings	(71 682)	( 33 276) ( 6 730)	( 59 195)	( 9 493) ( 1 632)		
Proceeds from exercise of share options	1 748	2 456	1 602	807		
Net cash utilised in financing activities	( 69 934)	(37 550)	( 57 593)	( 10 318)		
Inflation effect	( 34 745)	( 137 118)				
Net movement in cash and cash equivalents	89 958	(38 302)	105 740	27 316		
Net foreign exchange difference	(6672)	(5824)	(6672)	(3843)		
Cash and cash equivalents at beginning of the period	90 596	126 005	74 814	30 555		
Cash and cash equivalents at end of the period	173 882	81 879	173 882	54 028		
Comprising:- Bank balances and cash	173 882	81 879	173 882	54 028		

### REVIEWED CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the half year ended 30 September 2021 INELATION ADJUSTED

	INFLATION ADJUSTED		HISTORIC COST		
	Period ended		Period ended	Period ended	Period ended
	September 202	1 Sep	tember 2020		September 2020
	Reviewed		Unreviewed	Supplementary	
	ZW\$ 000		ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
Shareholders' equity at beginning of the period	1 413 556		1 151 312	679 136	144 679
Changes in issued share capital					
Exercise of share options	12		33	11	11
Changes in share premium	1 705		0.400	1 501	706
Exercise of share options	1 735		2 423	1 591	796
Changes in share option reserve Recognition of share based payments expense	4 984		4 624	4 455	2 276
Transfer from share option reserve due to exercise					
of share options	(1637)		(1792)	(1563)	( 640)
Changes in accumulated profit Transfer from share option reserve due to exercise					
of share options	1 637		1 792	1 563	640
Total comprehensive income for the period Dividend	46 045		156 251 ( 33 276)	306 368	276 228 ( 9 493)
Shareholders' equity at end of the period	1 466 332	7	1 281 367	991 561	414 497
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### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL RESULTS For the half year ended 30 September 2021

# 1 Basis of preparation

The reviewed condensed interim financial statements of African Distillers Limited have been prepared in accordance with IAS 34 -Interim Financial Reporting and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Requirements.

# 1.1 Hyperinflation

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZW\$). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS 29 (Financial Reporting in Hyper Inflationary Economies) compliant. The conversion factors have been computed from the consumer price index (CPI) data prepared by the Zimbabwe Central Statistical Office as reported on the Reserve Bank of Zimbabwe website

The conversion factors used to restate the interim financial results are as follows:

	Index	Conversion Factor
30-Sep-21 31-Mar-21 30-Sep-20	3 342 2 760 2 205	1.00 1.21 1.52
1.2 Accounting policies		

Accounting policies and critical judgements are consistent with those applied in prior year. The reviewed interim financial results should be read in conjunction with the latest annual report of the Company.

### NOTES TO THE REVIEWED CONDENSED INTERIM FINANCIAL RESULTS (continued) For the half year ended 30 September 2021

### 1.3 Historical information

The historical financial disclosure is shown as suplementary information. The information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 (Financial Reporting in Hyper inflationary Economies). As a result, the auditors have not issued a review conclusion on the historic financial information

### 1.4 Comparative information

In prior year, the Company changed its financial year end from June 30 to March 31 to align with the Group (Delta Corporation Limited). As a result, the comparative figures stated in these condensed interim financial results are for the comparable period of six

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The Company is holding 3 434 842 (March 2021: 3 434 842) of its own shares as treasury stock. No additional shares were acquired

during the period.	INFLATION September 2021		HISTOR September2021 Supplementary	RIC COST September2020 Supplementary
	Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
Revenue Spirits Ready-to-drink (RTDs) Wines (Discounts)  Profit before tax	1 545 025	1 240 513	1 421 673	615 954
	965 607	461 335	889 110	237 860
	184 570	121 136	168 251	60 078
	( 53 441)	( 117 300)	( 49 479)	( 66 376)
	2 641 761	1 705 684	2 429 555	847 516
This is stated after charging/(crediting) the following items of significance: Depreciation Staff costs Loss on disposal of property, plant and equipment	23 778	25 199	5 481	2 251
	231 968	34 724	211 259	14 578
	15	5 870	2	362

## Related party transactions

Delta Corporation Limited ("Delta") and Distell Limited (South Africa) ("Distell") each have an effective shareholding of 50.79% (March 2021: 50.44%) and 29.94% (March 2021:30.04%) respectively in the Company.

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

Distell Limited (South Africa)				
Purchase of raw materials	285 942	155 317	258 319	76 804
Purchase of finished products for sale	71 228	56 295	67 926	34 532
Purchase of property, plant and equipment ar	, , ,	7 911	17 861	3 524
Royalties on finished goods produced and	id spares 20 743	7 311	17 001	3 324
sold under license	54 971	30 179	50 665	14 825
sold under licerise				
	432 890	249 702	394 771	129 685
Delta Corporation Limited				
Forklift hire	2 136	1 654	1 953	825
IT Costs	950	508	866	263
	3 086	2 162	2 819	1 088
6 Taxation				
Current income tax expense	127 581	188 351	122 161	92 278
Deferred tax	(34 322)	(28 572)	4 512	( 829)
Deletica tax	93 259	159 779	126 673	
	93 259	139 / / 9	120 0/3	91 449

		93 259	159 779_	126 673	91 449
	Sep	INFLATION A		September 2021	March 2021
_		Reviewed ZW\$ 000	Audited ZW\$ 000	Supplementary Information ZW\$ 000	Supplementary Information ZW\$ 000
7	Property, plant and equipment Movement in the property,				
	plant and equipment balance for the year: Balance at the beginning of the period Additions Depreciation	443 723 56 270 ( 23 778)	438 619 45 287 ( 38 927)	61 667 52 155 ( 5 481)	34 210 32 399 ( 4 904)
	Disposals Balance at the end of the period	( 15) 476 200	(1 256) 443 723	108 339	( 38) 61 667
8	Inventories Finished products Maturing spirits and wines Raw materials Allowance for obsolete Inventory Inventories at end of the period	245 981 15 312 622 710 ( 624) 883 379	284 998 42 693 701 476 ( 3 844) 1 025 324	190 062 13 963 492 018 ( 270) 695 773	171 035 31 110 387 940 (1 538) 588 547
9	Trade and other receivables Trade receivables Prepayments - relating to inventory purchases # Other receivables * Allowance for credit losses	419 349 331 941 79 810 ( 4 901) 826 199	250 421 428 489 3 387 ( 5 063) 677 234	419 349 270 930 72 374 (4 901) 757 752	206 797 273 379 2 797 ( 4 181) 478 792
	* Other receivables include sundry debtors, staff welfar # Included in prepayements are balances with related				
	Distell Limited (South Africa)	35 943	63 154	876	1 539
10	Short term investments Money market investments	69	82	69	68
	This money is held in a savings account at 2.5% per annum (2020: 2.5%).				
11	Trade and other payables Trade payables - local Trade payables - foreign Dividend payable Accruals and other payables ^	72 983 298 474 - 327 160 698 617	26 488 209 734 71 682 250 325 558 230	72 983 298 474 - 327 160 698 617	21 874 173 198 59 195 206 718 460 985

^ Accruals and other payables include leave pay provision, long service awards, accruals for statutory payments and other sundry Included in trade payables are balances with related parties as follows;

158 965 Delta Corporation Limited The average credit period on local purchases is 7 days while the average credit period for foreign purchases is more than 90 days

	The average credit period on local purchases is 7 da	ays wrille trie avera	ge credit period for it	reign purchases is	more than 90 days.
		INFLATION September 2021			RIC COST September 2020 Supplementary
		Reviewed ZW\$ 000	Unreviewed ZW\$ 000	Information ZW\$ 000	Information ZW\$ 000
12	Cash generated from trading Profit before taxation Unrealised exchange loss/(gain)	139 304 15 071	316 030 ( 17 211)	433 041 15 071	367 677 ( 11 357)
	Depreciation Loss on disposal of property, plant and equipment	23 778 15	25 199 5 870	5 481 2	2 251 362
	Share option expense Interest income Interest expense	4 985 ( 594) 3 137	4 624 ( 229) 234	4 455 ( 546) 2 848	2 276 ( 103) 71
	Net monetary loss	34 745	140 112	2 040	/1

13 Capital commitments The Company has no firm capital commitments.

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

The Directors have assessed the ability of the Company to continue as a going concern and believe that the preparation of these condensed interim financial results on a going concern basis is appropriate. There has been general stability in the economic environment owing to a relatively stable foreign exchange market, and improved availability of foreign currency from relaxed foreign currency regulations. The company has been able to meet all its foreign currency operational requirements, and this is expected to prevail in the ensuing year.

The company has put in place a business continuity plan that has enabled the manufacturing, selling and distribution operations to remain functional with very minimal disruptions. The vaccination programme spearheaded by the Government is expected to minimise the impact of COVID-19 to businesses. Neither the Board nor the Government can reasonably estimate the duration of this pandemic at this stage as it is complex and evolving.

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# 16 Subsequent events

There were no significant events after the period under review.

The Company condensed inflation adjusted interim financial statements from which these abridged results have been extracted, should be read in conjunction with the complete set of the interim abridged inflation adjusted financial statements for the half year ended 30 September 2021 which have been reviewed by the Company's external auditors, Ernst & Young Chartered Accountants (Zimbabwe).

The auditors have issued an adverse review conclusion with respect to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", including historical errors not adjusted in terms of international Accounting Standards 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the application of the International Accounting Standards 29; "Financial Reporting in Hyper inflationary Economies".

The independent review conclusion on the condensed inflation adjusted interim financial statements is available for inspection at the registered office of the company. The engagement partner responsible for this review is Fungai Kuipa (PAAB Practising Certificate