



AFRICAN DISTILLERS LIMITED

Unaudited Financial Information

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

Financial Highlights

	2024 US\$	2023 US\$
Revenue – millions	26.2	24.4
Operating income – millions	1.5	5.1
EBIT - millions	2.3	6.3
Earnings per share – cents	1.98	3.43
Government taxes remitted - millions	10.0	8.3
Dividend per share (cents)	0.3	0.3

Chairman's Statement

Overview

The macro-economic environment for the period under review was generally stable in the first quarter after the introduction of the new ZWG currency, however there was significant depreciation of the local currency in the second quarter resulting in price distortions in formal trade. Most businesses encountered challenges in sourcing foreign currency from the banking system resulting in some disruptions in supply of goods and services.

Change in functional currency and presentation currency

In line with Accounting Standards, the company changed its functional and presentation currency to US\$ in prior year, effective 01 October 2023 hence all financial records are now maintained in US\$. A change in presentation currency required comparative numbers to be restated. The prior period inflation-adjusted numbers were translated to US\$ at the 30 September 2023 closing rate of US\$1:Zw\$5 500.

Caution on Reporting Currency Conversion

As previously highlighted, it is important to note that the restated comparative figures included in the statement of profit or loss and comprehensive income, statement of cash flow and statement of changes in equity may exhibit notable disparities when viewed from a market perspective due to the distortions in exchange rates and the levels of hyper-inflation experienced during that comparative period. While the conversion process is mathematically accurate, users of these interim financial statements are advised to exercise caution when making comparisons with prior year figures.

Volume performance

The Company recorded volume growth of 11% compared to prior period mainly driven by Ready to drink (RTD) and Wine segments which grew by 22% and 13% respectively. RTD volume was influenced by promotions and the successful launch of a new product, NightSky Gin & Tonic which was well received by the market. The Wine category benefited from improved availability of affordable wines and intensified focus on direct sales distribution. The widespread distribution of cheaper and illicit spirits curtailed growth of the category.

Financial performance

Revenue grew by 7% to US\$26.2 million due to increased volume. Operating income, at US\$1.5 million, was lower than prior year partly due to thinner margins from price reductions meant to counter competition from illegal imports. In addition, the differences in approaches used in deriving prior year US\$ numbers highlighted above together with the distortions in exchange rates and inflation indices during the same prior period makes comparison difficult.

Update on Tax Matters

As previously reported, there were areas of disagreement with the Zimbabwe Revenue Authority (ZIMRA) regarding the applicable currency of income tax payments for the period 2019 to 2022. ZIMRA issued an additional income tax assessment, including penalties and interest against the company amounting to US\$1.8 million for obligations that had been settled in local currency. ZIMRA contends that the tax should have been paid exclusively in foreign currency. This assessment is being contested at the courts and could have a material impact on the Company's operations, if it materialises.

Future prospects

The forecast normal agricultural season, increased activity in mining, tourism, and infrastructural development are expected to boost economic activity in the country. The current limited access to foreign currency, and erratic power supply will continue to present challenges for the business. The business is however hopeful that the measures recently implemented by authorities to stabilise the local currency will create a more conducive trading environment.

Management will continue to focus on exploring opportunities for market share growth, revenue and profitability anchored on product innovation and enhancement, production efficiencies and overhead containment.

Dividend

The board has recommended an interim dividend of US\$0.0030 per share, amounting to US\$360 710.

M M Valela
Chairman

DIVIDEND DECLARATION

Notice is hereby given that the Board of Directors declared an interim dividend, number 98, of US\$0.0030 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 2024.

	FINAL DIVIDEND
Dividend Number	98
Announcement Date	31 October 2024
Record Date	15 November 2024
Last Date to Trade	12 November 2024
Ex-Dividend Date	13 November 2024
Payment Date	06 December 2024
Dividend Amount	US\$360 710
Dividend per Share	US\$0.0030

By order of the Board

L Mutamuko
Company Secretary



Unaudited Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 30 September 2024

	Notes	September 2024 Unaudited US\$	September 2023 Restated* US\$
Revenue	3	26 169 313	24 363 743
Cost of sales		(17 325 775)	(11 917 352)
Gross profit		8 843 538	12 446 391
Other income		52 895	97 301
Distribution costs		(961 702)	(885 833)
Administrative expenses		(716 445)	(504 134)
Other operating expenses		(5 751 807)	(6 004 309)
Operating income		1 466 479	5 149 416
Interest income		3 925	1 623
Interest expense		(329 104)	(283 457)
Net foreign exchange adjustment		842 934	(1 070 249)
Net monetary gain		—	2 181 190
Profit before taxation	4	1 984 234	5 978 523
Taxation	6	572 363	(1 909 967)
Profit for the period		2 556 597	4 068 556
Other comprehensive income		—	—
Total comprehensive income		2 556 597	4 068 556
Earnings per share (Cents):			
Basic		1.98	3.43
Headline		1.98	3.43
Diluted		1.96	3.33

* Note 1.2

Unaudited Condensed Interim Statement of Financial Position

As at 30 September 2024

	Notes	September 2024 Unaudited US\$	March 2024 Audited US\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	3 901 700	3 736 581
Long term loans receivable		175 196	151 821
Deferred taxation		357 005	—
		4 433 901	3 888 402
Current assets			
Inventories	8	11 712 555	11 178 333
Trade and other receivables	9	8 602 142	7 336 828
Cash and cash equivalents		874 093	863 322
Current tax asset	13	760 221	439 825
		21 949 011	19 818 308
Total assets		26 382 912	23 706 710
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		124 972	124 972
Share premium		549 592	549 592
Share option reserve		212 135	201 119
Accumulated profit		12 636 061	10 804 184
Total capital and reserves		13 522 760	11 679 867
Non-current liabilities			
Deferred taxation		—	960 149
Current liabilities			
Trade and other payables	10	6 412 308	4 674 457
Current tax liability		491 465	879 619
Short-term borrowings	11	5 956 379	5 512 618
		12 860 152	11 066 694
Total liabilities		12 860 152	12 026 843
Total equity and liabilities		26 382 912	23 706 710
Ordinary shares in issue (Actual) (millions)		124	124
Ordinary shares in issue (Weighted average) (millions)		120	119
Current ratio (: 1)		2	2
Shareholders' equity per share (Cents)		10	9
Middle market price (Cents)		32	20



AFRICAN DISTILLERS LIMITED

Unaudited Financial Information

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024

Unaudited Condensed Interim Statement of Cash Flows

For the half year ended 30 September 2024

Notes	September 2024 Unaudited US\$	September 2023 Restated* US\$
Cash flows from operating activities		
Cash generated from trading after non-cash items	2 493 380	3 062 075
Changes in working capital	(87 666)	(4 670 203)
Cash flows generated from/(utilised in) operations	2 405 714	(1 608 128)
Interest received	3 925	1 623
Interest paid	(329 104)	(283 457)
Income tax paid	(1 453 341)	(1 241 573)
Net cash flows generated from/(utilised in) operating activities	627 194	(3 131 535)
Cash flows from investing activities		
Purchase of property, plant and equipment	(364 051)	(296 931)
Increase in long-term loans receivable	(36 696)	(204 995)
Proceeds from repayment of long-term loans receivable	13 321	77 392
Net cash flows utilised in investing activities	(387 426)	(424 534)
Cash flows from financing activities		
Dividends paid to owners of the Company	(724 720)	(793 882)
Proceed from short term loans	2 283 417	12 128 053
Repayment of short term loans	(1 589 400)	(7 640 032)
Net cash flows (utilised in)/generated from financing activities	(30 703)	3 694 139
Net movement in cash and cash equivalents		
Net foreign exchange difference	209 065	138 070
Inflation effect on cash and cash equivalents	51 962	653 163
Cash and cash equivalents at beginning of the period	(2 552 534)	178 532
Cash and cash equivalents at end of the period	(2 291 507)	216 368
Comprising:-		
Bank balances and cash	874 093	965 455
Bank overdraft	(3 165 600)	(749 087)
	(2 291 507)	216 368

* Note 1.2

Unaudited Condensed Interim Statement of Changes in Shareholders' Equity

For the half year ended 30 September 2024

Notes	Inflation Adjusted	
	September 2024 Unaudited US\$	September 2023 Restated* US\$
Shareholders' equity at beginning of the period	11 679 867	5 166 035
Changes in share option reserve		
Recognition of share based payments expense	11 016	50 111
Changes in accumulated profit		
Total comprehensive income for the period	2 556 597	4 068 556
Dividend declared	(724 720)	(793 882)
Shareholders' equity at end of the period	13 522 760	8 490 820

* Note 1.2

Notes to the Unaudited Condensed Interim Financial Results

For the half year ended 30 September 2024

1 Basis of preparation

The unaudited 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 Currency of reporting

The financial statements are presented in the United States Dollars ("US\$") currency which is also the functional currency of the Company.

1.2 Change of functional currency and presentation currency

In line with IFRS® Accounting Standards requirements, the company changed its functional currency and presentation currency to US\$ in prior year, effective 01 October 2023 hence all financial records are now maintained in US\$. A change in presentation currency required comparative numbers to be restated. The prior year inflation-adjusted numbers were translated to US\$ at the 30 September 2023 closing rate of US\$1: ZW\$5 500.

1.3 Accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2024, except for the adoption of new standards effective as of 1 January 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed financial statements of the Company.

2 Share buy back

The Company is holding 3 434 842 (2023: 3 434 842) of its own shares as treasury stock. No additional shares were acquired during the period.

Notes to the Unaudited Condensed Interim Financial Results (continued)

For the half year ended 30 September 2024

	September 2024 Unaudited US\$	September 2023 Restated* US\$
3 Revenue		
Spirits	14 288 125	14 701 372
Ready-to-drink (RTDs)	10 692 459	8 570 758
Wines	1 814 896	1 585 429
(Discounts)	(626 167)	(493 816)
	26 169 313	24 363 743
4 Profit before tax		
This is stated after charging the following items of significance:		
Depreciation	198 932	143 466
Staff costs	3 335 829	3 801 697
Loss on disposal of property, plant and equipment	—	143
5 Related party transactions		
Delta Corporation Limited ("Delta") and Heineken Beverages ("Heineken") each have an effective shareholding of 50.67% (2023: 51.14%) and 27.98% (2023: 28.35%) 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:		
Heineken Beverages ("Heineken")		
Purchase of raw materials	832 156	548 161
Purchase of finished products for sale	889 466	476 335
Purchase of property, plant and equipment and spares	12 160	26 454
Royalties on finished goods produced and sold under license	644 296	581 928
	2 378 078	1 632 877
Delta Corporation Limited ("Delta")		
Purchase of raw materials	60 030	—
IT Costs	39 330	39 850
	99 360	39 850
6 Taxation		
Current income tax expense	744 791	584 907
Deferred tax	(1 317 154)	1 325 060
	(572 363)	1 909 967
	September 2024 Unaudited US\$	March 2024 Audited US\$
7 Property, plant and equipment		
Movement in the property, plant and equipment balance for the period:		
Balance at the beginning of the period	3 736 581	3 351 931
Additions	364 051	1 775 684
Depreciation	(198 932)	(370 245)
Disposals	—	(10 397)
Effects of conversion to presentation currency	—	(1 010 392)
Balance at the end of the period	3 901 700	3 736 581
8 Inventories		
Finished products	3 581 514	3 708 918
Maturing spirits and wines	329 035	294 135
Raw materials	7 802 006	7 175 280
Allowance for obsolete inventory	—	—
Inventories at end of the period	11 712 555	11 178 333
9 Trade and other receivables		
Trade receivables	2 662 494	3 605 320
Prepayments#	5 951 471	3 759 008
Other receivables*	60 023	32 346
Allowance for credit losses	(71 846)	(59 846)
	8 602 142	7 336 828
* Other receivables includes sundry debtors, staff welfare and study loans.		
# Included in prepayments are balances with related parties as follows:		
Heineken Beverages	87 468	87 468
10 Trade and other payables		
Trade payables - local	785 226	1 309 658
Trade payables - foreign	2 431 526	1 042 173
Accruals and other payables^	3 195 556	2 322 626
	6 412 308	4 674 457
^ Accruals and other payables includes leave pay provision, long service awards, accruals for statutory payments and other sundry creditors.		
Included in trade payables are balances with related parties as follows;		
Heineken Beverages	1 035 647	573 792
Delta Corporation Limited	47 605	170 926
The average credit period on local purchases is 30 days while the average credit period for foreign purchases is more than 90 days.		
11 Short-term borrowings		
Short-term borrowings comprise of;		
Short term loans	2 790 779	2 096 762
Bank Overdraft	3 165 600	3 415 856
	5 956 379	5 512 618

Short term loans include US\$1 000 000 (March 2024: US\$600 000) and ZWG 6 000 000 (March 2024: nil) unsecured loans from Delta with a six-month tenure and bank loans at 12-month tenure. The company also has the following facilities with the banks: US\$3 million (March 2024: US\$3 million) overdraft at 10% per annum (March 2024: 10% per annum) interest and ZWG8.6 billion (March 2024: ZW\$20 billion) overdraft at 30% per annum (March 2024: 75% per annum) interest.



AFRICAN DISTILLERS LIMITED

Unaudited Financial Information

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2024



Notes to the Unaudited Condensed Interim Financial Results (continued)

For the half year ended 30 September 2024

	September 2024 Unaudited US\$	September 2023 Restated* US\$
12 Cash generated from trading		
Profit before taxation	1 984 234	5 978 523
Foreign exchange adjustment	(25 981)	(1 698 015)
Depreciation	198 932	143 466
Loss on disposal of property, plant and equipment	—	143
Share option expense	11 016	50 111
Interest income	(3 925)	(1 623)
Interest expense	329 104	283 457
Net monetary gain	—	(1 693 987)
	2 493 380	3 062 075

13 Uncertain tax treatment

As previously reported, there were areas of disagreement regarding the currency of payment for income tax and the methods of splitting the taxes by currency for the period 2019 to 2022. The Zimbabwe Revenue Authority (ZIMRA) issued an additional income tax assessment, including penalties and interest against the Company amounting to US\$1.8 million. ZIMRA contends that these amounts should have been paid exclusively in foreign currency and the amounts originally paid to be refunded in the debased nominal values. Whilst the recent court judgments on similar cases support ZIMRA's position on the matter, there are significant legal and factual issues still to be addressed. ZIMRA is empowered to collect any taxes it deems due under the "pay now, argue later" principle. The Company had accumulated payments amounting to US\$760,221 as of 30 September 2024 in line with this principle and as per agreed payment plans. We believe any revisions to the payment plan will be rational, taking into account the financial health of the business and the fact that the principal amounts were fully paid in legal tender at the relevant periods, based on the best available interpretation of the legislation.

There are still areas that require clarity and adjustment in the assessments raised. Management continues to engage with ZIMRA while appealing certain areas of the assessments and the judgments, with guidance from tax experts and legal counsel. This assessment could have a material impact on the Company's operations, if it materialise as per the extant assessments. The outcome of these engagements will determine the accounting treatment and recognition of the assessment and payments made to date.

14 Contingent liabilities

With regards to Note 13 above, no provision for any interest and penalty liability, arising from the claims by ZIMRA against the Company, has been made in these interim financial statements. The total interest and penalty amounts to US\$588,247.

15 Capital commitments

The Company has no firm capital commitments.

16 Going concern

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.

It is anticipated that the economy and the company will grow positively in the ensuing year with the anticipated improved agricultural season together with increased economic activity resulting from mining, tourism and infrastructure projects. Accessibility of foreign currency is key to smooth running of the business, and the Company has been able to access its foreign currency requirements from trading and this is also anticipated to continue in the ensuing year.

17 Events after the reporting period

There were no significant events after the period under review.