



Brighter together

Reviewed Financial Information

for the period ended 30 September 2021



Salient Features

	INFLATION ADJUSTED	HISTORIC COST
Revenue	Increased by 71% to ZW\$ 33,59 billion	Increased by 192% to ZW\$ 31,03 billion
Operating Income	Increased by 5% to ZW\$ 6,44 billion	Increased by 91% to ZW\$ 6,63 billion
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	Increased by 11% to ZW\$ 7,71 billion	Increased by 97% to ZW\$ 7,15 billion
Headline Earnings per share	Increased by 42% to ZW\$ 526,38 cents	Increased by 77% to ZW\$ 349,15 cents
Basic Earnings per share	Increased by 3% to ZW\$ 527,38 cents	Increased by 23% to ZW\$ 359,08 cents
Dividend per share	Interim dividend declared ZW\$ 75,00 cents	Interim dividend declared ZW\$ 75,00 cents

Condensed Group Statement of Financial Position

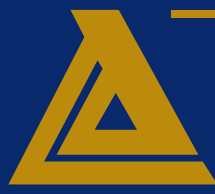
	INFLATION ADJUSTED		HISTORIC COST	
	REVIEWED As At 30 September 2021 ZW\$ 000	AUDITED As At 31 March 2021 ZW\$ 000	UNAUDITED As At 30 September 2021 ZW\$ 000	UNAUDITED As At 31 March 2021 ZW\$ 000
ASSETS				
Non-current assets				
Property, plant and equipment	29 590 180	28 138 088	9 908 919	7 259 288
Right-of-use asset	126 252	144 998	49 371	59 622
Investments in associates	3 110 759	2 787 563	953 748	661 755
Intangible assets	5 452 767	5 282 375	3 546 592	2 788 743
Investments and loans	929 932	592 387	929 932	489 192
	39 209 890	36 945 411	15 388 562	11 258 600
Current assets				
Inventories	10 044 499	9 284 974	6 102 197	4 457 412
Trade and other receivables	6 355 591	2 152 450	6 355 591	1 777 488
Prepayments	4 583 181	3 257 779	1 833 365	2 287 822
Current tax asset	62 165	44 173	62 165	36 478
Financial Asset at fair value	1 220 561	1 956 687	1 220 561	1 615 828
Cash and cash equivalents	2 309 842	2 140 734	2 309 842	1 767 813
	24 575 839	18 836 797	17 883 721	11 942 841
TOTAL ASSETS	63 785 729	55 782 208	33 272 283	23 201 441
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	408 465	408 335	12 986	12 865
Share premium	2 777 992	2 758 546	106 462	88 565
Share option reserve	298 604	259 336	81 246	41 042
Share buyback	(525 675)	(548 281)	(16 418)	(35 086)
Foreign currency translation reserve	1 614 839	1 402 248	1 127 007	799 008
Retained earnings	32 903 888	27 273 995	10 341 713	7 002 610
Other reserves - Arising from change in ownership	(90 310)	(47 949)	(46 958)	(6 509)
Equity attributed to equity holders of the parent	37 387 803	31 506 230	11 606 038	7 902 495
Non-controlling interests	718 244	917 151	40 142	105 496
Shareholders' equity	38 106 047	32 423 381	11 646 180	8 007 991
Non-current liabilities				
Long term borrowings	1 851 739	2 015 008	1 851 739	1 663 989
Deferred tax liabilities	6 026 051	6 161 162	1 972 470	1 008 175
	7 877 790	8 176 170	3 824 209	2 672 164
Current liabilities				
Short term borrowings	1 322 067	1 649 260	1 322 067	1 361 955
Lease liability	64 771	234 488	64 771	177 123
Trade and other payables	11 488 960	8 688 346	11 488 960	7 174 816
Provisions	3 198 038	2 276 891	3 198 038	1 880 251
Dividend payable	1 038 692	1 749 655	1 038 692	1 444 861
Current tax liability	689 365	584 017	689 365	482 280
	17 801 893	15 182 657	17 801 893	12 521 286
TOTAL EQUITY AND LIABILITIES	63 785 729	55 782 208	33 272 282	23 201 441
Net asset value per share (ZW\$ cents)	2 912,95	2 470,04	904,24	619,54

Condensed Group Statement of Comprehensive Income

	INFLATION ADJUSTED		HISTORIC COST	
	REVIEWED Period Ended 30 September 2021 ZW\$ 000	REVIEWED Period Ended 30 September 2020 ZW\$ 000	UNAUDITED Period Ended 30 September 2021 ZW\$ 000	UNAUDITED Period Ended 30 September 2020 ZW\$ 000
Revenue	33 591 931	19 608 383	31 034 280	10 624 258
Operating income	6 441 954	6 111 059	6 628 806	3 474 715
Finance charges	(144 848)	(192 972)	(143 379)	(104 371)
Finance income	536 362	7 262	534 570	3 784
Exchange (losses) / gains	(371 790)	(317 658)	(350 544)	1 849
Movement in legacy debt	(421 092)	(69 429)	(421 092)	(45 813)
Monetary gain	2 335 631	426 670	—	—
Share of profit of associates	323 196	447 930	291 993	221 354
Profit before tax	8 699 413	6 412 862	6 540 354	3 551 518
Income tax expense	(2 054 816)	(1 518 260)	(2 054 816)	(968 572)
Profit for the period	6 644 597	4 894 602	4 485 538	2 582 946
Attributable to:				
Owners of the parent	6 603 871	4 758 201	4 313 082	2 535 400
Non controlling interest	40 726	136 401	172 456	47 546
Total profit for the period	6 644 597	4 894 602	4 485 538	2 582 946
Other comprehensive income -				
Foreign currency translation reserve	12 939	1 835 697	128 359	1 211 291
Total Comprehensive income for the period	6 657 536	6 730 299	4 613 897	3 794 237
Total Comprehensive income for the period attributable to:				
Owners of the parent	6 816 462	6 593 898	4 641 093	3 746 691
Non controlling interest	(158 926)	136 401	(27 196)	47 546
	6 657 536	6 730 299	4 613 897	3 794 237
Weighted average shares in issue (millions)	1 292,5	1 283,5	1 292,5	1 283,5
Earnings per share (ZW\$ cents)				
Headline earning basis	526,38	370,72	349,15	197,54
Basic earnings basis	527,38	513,74	359,08	291,91

Condensed Group Statement of Cash Flows

	INFLATION ADJUSTED		HISTORIC COST	
	REVIEWED As At 30 September 2021 ZW\$ 000	REVIEWED As At 30 September 2020 ZW\$ 000	UNAUDITED As At 30 September 2021 ZW\$ 000	UNAUDITED As At 30 September 2020 ZW\$ 000
Cash flow from operating activities				
Net cash flows from operating activities	4 162 410	2 818 271	4 313 750	1 583 485
Cash flow from investment activities				
Increase in investments and loans	(337 545)	(104 175)	(440 741)	(74 409)
Purchase of shares in subsidiary	(82 342)	(1 452 052)	(78 618)	(353 805)
Purchase of property, plant and equipment to expand operations	(492 444)	(509 859)	(435 612)	(311 178)
Purchase of property, plant and equipment to maintain operations	(913 215)	(159 413)	(807 822)	(74 120)
Proceeds on disposal of property, plant and equipment	10 717	43 176	10 717	28 490
Net cash utilised in investing activities	(1 814 829)	(2 182 323)	(1 752 064)	(785 022)
Cash flow from financing activities				
Dividends paid	(1 544 474)	(41 341)	(1 580 148)	(17 877)
Repayment of borrowings	(764 551)	(151 275)	(764 551)	(99 819)
Increase in shareholder funding	19 579	3 336	18 018	1 402
Share buyback	22 606	—	18 868	—
Net cash utilised in financing activities	(2 266 840)	(189 280)	(2 108 013)	(116 294)
Net increase in cash and cash equivalents	80 741	446 393	453 662	682 168
Effects of currency translation on cash and cash equivalents - foreign operations	88 367	26 913	88 367	17 758
Net increase in cash and cash equivalents	169 108	473 306	542 029	699 926
Cash and cash equivalents at beginning of period	2 140 734	928 718	1 767 813	225 203
Cash and cash equivalents at end of the period	2 309 842	1 402 024	2 309 842	925 129



Supplementary Information (continued)

6. Corporate Information

Delta Corporation Limited (the Company) is a public limited company which is listed on the Zimbabwe Stock Exchange and incorporated and domiciled in Zimbabwe. The principal activities of the Company and its subsidiaries (the Group) include the manufacture and distribution of cold beverages and related value-added activities.

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These condensed interim financial statements have been prepared under the supervision of A Makamure FCA(Z), Executive Director – Finance, registered Public Accountant, PAAB Number 0318 and have been reviewed by external auditors in terms of the Companies and Other Business Entities Act (Chapter 24:31).

7. Statement of Compliance

The condensed financial statements of the Company and the Group 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 the Companies and Other Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations.

The Directors note that there are varied interpretations and applications of Statutory Instrument 85 of 2020 (SI85/2020) and Statutory Instrument 127 of 2021 (SI127/2021) with relation to pricing of goods in foreign currency and the exchange rates thereto. These interpretations also have a bearing on the application of International Accounting Standard IAS 21 with respect to converting domestic transactions conducted in foreign currencies.

8. Significant Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements and applicable amendments to IFRS.

9. Basis of Preparation

The condensed consolidated financial statements are presented in Zimbabwean dollars (ZW\$). They have been prepared under the inflation adjusted accounting basis in line with the provisions of International Accounting Standard 29 (IAS29 - Financial Reporting in Hyperinflationary Economies). The Public Accountants and Auditors Board (PAAB) pronounced on 11 October 2019 that the Zimbabwean economy was trading under hyperinflationary conditions. The Directors have applied the guidelines provided by the PAAB and accounting bodies and applied the hyperinflation accounting principles.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS34 - Interim Financial Reporting).

Inflation adjusted financial statements have been drawn up using the 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 are as follows:

	Index	Conversion Factor
30 September 2021	3 542,0	1,00
31 March 2021	2 759,8	1,21
30 September 2020	2 205,2	1,52
31 March 2020	810,4	4,12
Average CPI for the 6 months to:		
30 September 2021	3 043,5	1,10
30 September 2020	1 630,7	2,28

IAS 29 discourages the publication of historical cost results as the inflation adjusted results are the primary records. However, the 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.

10. Functional Currency Changes

The financial statements are presented in the ZW\$ currency that was designated as the sole transactional, functional and reporting currency through Statutory Instrument 53 of 2019 (SI53/19) dated 22 February 2019 and Statutory Instrument 142 of 2019 (SI142/19) dated 24 June 2019.

The Government of Zimbabwe promulgated Statutory Instrument 85 of 2020 (SI85/20) which permitted the use of foreign currencies for domestic transactions. The Monetary Authorities introduced the Foreign Exchange Auction Trading System in June 2020. Whilst the Company was able to access foreign currency for some period during the year, it was not able to access this platform due to the rules relating thereto. There is a significant disparity between the auction exchange rates and the rates reflected by comparing the market prices of goods and services quoted in alternative currencies. The Zimbabwe businesses have relied mostly on foreign currency obtained through the sale of products on the domestic market in line with the multicurrency framework. International Accounting Standard 21 (IAS21 - The Effects of Changes in Foreign Exchange Rates) requires an entity to determine the functional currency based on the economic environment in which it operates. The entity does not believe that the official exchange rates prevailing during the financial period were, at all times, fairly reflective of the currency exchangeability and as such, has used an estimation process, which is allowed by IAS 21. Therefore, the exchange rate applied in translating the revenues to the reporting currency and as the spot rate used in translating other foreign currency denominated transactions has at times differed from the official rates.

The Directors have concluded that it is appropriate to report in the ZW\$ currency. The Directors would, however, like to advise users to exercise caution in the use of these abridged inflation adjusted financial statements in relation to the reporting currency and conversion to comparative currencies.

Differing Views with External Auditors on the Application of IAS 21

The Directors and Management disagree with the professional conclusion of our auditors on the application of IAS 21. The independent auditors EY have issued an adverse review opinion for the period ended 30 September 2021 as they believe that the determination of an estimate exchange rate is not compliant with International Financial Reporting Standards ("IFRS"). The auditors believe the auction exchange rate is the appropriate spot exchange rate that it is, observable and accessible for immediate delivery through a legal exchange mechanism. This is contrary to the circumstances applicable to the entity as indicated above. There are varying views on the matter and we urge the Public Accountants and Auditors Board to provide appropriate guidance to the market.

11. Legacy Foreign Liabilities

The Company has legacy foreign liabilities of US\$13,9 million, being those amounts that were due and payable on 22 February 2019 when the authorities promulgated SI33/2019 which introduced the ZW\$ currency, as distinct from the US\$, as the functional currency. The Company has registered these liabilities with the Reserve Bank of Zimbabwe and transferred to the Reserve Bank the ZW\$ equivalent of the foreign debts based on the USD/ZW\$1:1 exchange rate in line with Directives RU102/2019 and RU28/2019 and as agreed with the Reserve Bank of Zimbabwe.

The cash cover deposits at the Reserve Bank of Zimbabwe have been disclosed as a financial asset. The following exchange losses and revaluation gains have been recorded in the statement of profit and loss:

	ZW\$ 000
Exchange losses	(430 907)
Exchange gain on revaluation of financial asset	9 815
Net Loss	(421 092)

11. Legacy Foreign Liabilities (continued)

An amount of ZW\$ 421 million was recorded as an unrealised foreign exchange loss relating to the legacy foreign debt amounts of US\$13,9 million. In compliance with IFRS, the deposit at the Reserve Bank of Zimbabwe represents a commitment to pay equivalent value in US\$ and has therefore been treated as a financial derivative uplifted at closing rate and discounted to Net Present Value of ZW\$ 1,22 billion. The difference between the Net Present Value and the face value of the financial asset of ZW\$ 421 million has been expensed. This unrealised net loss is expected to reverse on settlement of the instrument.

The Board notes that the authorities have not fully articulated the policy framework on the settlement of these liabilities. The divergence of market exchange rates and the interbank exchange rate creates a further risk that the "blocked funds" liabilities could be paid at exchange rates that are above the Reserve Bank of Zimbabwe settlement rates. The Board is confident that the Reserve Bank of Zimbabwe will continue to settle the legacy debts as per agreed framework.

12. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

	INFLATION ADJUSTED		HISTORIC COST	
	30 September 2021 ZW\$ 000	30 September 2020 ZW\$ 000	30 September 2021 ZW\$ 000	30 September 2020 ZW\$ 000
Fair value through profit or loss:				
Level 3				
Financial Asset	1 220 561	5 668 792	1 220 561	3 740 572
Fair value through profit or loss:				
Level 1				
Listed shares*	27 089	32 210	27 089	21 254

The observable market data input used in the computation of the derivative was as follows:

ZW\$ Risk Free Rate

1.00 month	11.69%
2.00 month	11.67%
3.00 month	11.66%
6.00 month	11.67%
1.00 year	11.71%
2.00 year	11.90%

The Group's sensitivity to a 10% and 22% increase in the ZW\$ against the US Dollar would be ZW\$120,4 million and ZW\$264,8 million respectively.

The Group did not have any financial assets under Level 2 in the current and prior financial periods, in addition, the Group did not have any transfers between levels.

* Included in investments and loans on the Group Statement of Financial Position

13. Cash flow information

	INFLATION ADJUSTED		HISTORIC COST	
	REVIEWED Period Ended 30 September 2021 ZW\$ 000	REVIEWED Period Ended 30 September 2020 ZW\$ 000	UNAUDITED Period Ended 30 September 2021 ZW\$ 000	UNAUDITED Period Ended 30 September 2020 ZW\$ 000
Cash Generated from Operating Activities				
Profit before tax	8 699 413	6 412 862	6 540 354	3 551 518
Depreciation of property, plant and equipment, amortisation and impairment of intangible assets	1 267 585	833 752	517 739	141 393
Profit on disposal of property, plant and equipment	27 611	(6 991)	6 171	(6 827)
Share option expense	58 847	21 238	58 222	14 056
Movement in legacy debt	421 092	69 429	421 092	45 813
Share of profit of associates	(323 196)	(447 930)	(291 993)	(221 354)
Effects of IAS 29	(2 695 270)	(696 399)	—	—
Fixed asset adjustments and other non cash items	153 921	(3 832 843)	(1 401 974)	(2 583 822)
Movement in working capital	(2 448 302)	1 117 433	(536 582)	994 708
Income tax paid	(999 290)	(652 282)	(999 290)	(352 000)
Cash Generated from Operating Activities	4 162 410	2 818 271	4 313 750	1 583 485

14. Contingencies

14.1 Assessed Taxes

The Special Court for Income Tax Appeal ruled in favour of the Company and reversed the tax assessments of ZW\$27,8 million previously reported as a contingent liability. The Zimbabwe Revenue Authority has noted an appeal against the judgement.

14.2 Uncertain Tax Positions

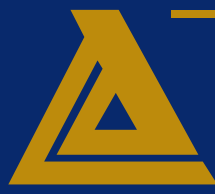
There have been significant currency changes in Zimbabwe since 2018. These changes create some uncertainties in the treatment of transactions for taxes due to the absence of clear guidelines and transitional measures. There are further complications arising from the wording of the legislation in relation to the currency of settlement of certain taxes which give rise to interpretations that may differ with those of the tax authorities, giving rise to uncertainties in tax positions. Of specific note is that the Company continues to pay Company Tax in ZW\$ noting that the forex related transactions give rise to loss of value arising from the mandatory liquidations and reimbursement of legacy debts by RBZ at auction rate. Taxable income is not directly related to the currency of trade.

15. Going Concern

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

An update on the business risks is included in the bi-annual letter of representation and a comprehensive risk analysis included in the annual report.

The Zimbabwe business is witnessing a significant recovery despite operating in an unstable macro-economic environment which is further impacted by COVID-19. The key factors relate to an unstable currency, high inflation, a turbid political environment, and fluid policy framework etc. The novel Coronavirus (Covid-19) pandemic has destabilised global economies. The country recorded a cereals surplus for the first time in many years of drought and ineffective agricultural policies. Consumer spending indicates growth driven by mining and infrastructure development projects.



Supplementary Information (continued)

15. Going Concern (continued)

Management will constantly review the business continuity plans in order to maintain operations at sustainable levels; competitive product pricing, cost reduction initiatives, and adopting sourcing strategies that minimise the use of foreign currency. The business remains profitable and has capacity to recover volumes and earnings.

The COVID-19 pandemic has affected business activities and general human activities that change consumption occasions and patterns. Management will continue to realign the marketing, route to market and business operations in general for sustainability.

With respect to United National Breweries South Africa (UNB) and National Breweries Plc Zambia (Natbrew) the key issues relate to:

i) UNB: South Africa continues to impose more stringent trading measures including complete bans on sale or restrictions consumption of alcoholic beverages. The unit is on a recovery path and is achieving breakeven cash flows as the COVID-19 restrictions are eased. The business is expected to recover the drain on working capital arising from the limited trading in 2020 in the short term.

ii) Natbrew: The unit has funding challenges arising the cumulative losses and loss volume. Business recovery measures are being implemented with cash flow support from the parent. Asset impairments were booked in the F21 financials.

16. Impairment Assessment of Assets

Management undertakes the requisite assessments for possible impairment of individual asset or clusters of assets at each reporting period. This is more fully covered in the report. Both UNB and Natbrew booked some asset impairments in F21, ZW\$ 113,4 million and ZW\$ 151,9 million for UNB and Natbrew respectively. No further significant impairments are envisaged.

17. Subsequent Events

There are no subsequent events to report.

18. External Auditor's Review Conclusion

The Group's interim abridged inflation adjusted consolidated financial information has been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of non-compliance with International Accounting Standard 21 (IAS21 - The Effects of Changes in Foreign Exchange Rates) and the consequential impact on the inflation adjusted amounts determined in terms of International Accounting Standard 29 (IAS29 - Financial Reporting in Hyperinflationary Economies) as well as the impact on International Accounting Standard 8 (IAS8 - Accounting Policies, Changes in Accounting Estimates and Errors). The auditor's review conclusion on the Group's interim abridged inflation adjusted consolidated financial information is available for inspection at the Company's registered office.

The engagement partner responsible for this review is Mr. Walter Mupanguri (PAAB Practicing Certificate Number 367).

Chairman's Letter to Shareholders

Dear Shareholder

Operating Environment Overview

The half year period presented a mixed picture as countries responded to the third wave of the COVID-19 pandemic and the subsequent return to near normal conditions as enabled by the accelerated vaccination programmes. The COVID-19 mitigation measures implemented in our trading markets included lockdowns, restrictions on travel and social gatherings and limiting the sale or consumption of alcoholic beverages.

The Zimbabwean economy recorded some notable recovery during the first quarter as reflected by slower inflation and stable exchange rates. The policies and regulations implemented in the second quarter to manage the foreign currency market and exchange rates particularly under Statutory Instrument 127 of 2021 (SI127/2021) and the delays in funding allocations from the foreign currency auction dented confidence in the domestic currency. This has re-introduced complexities and uncertainty in the operating environment. The disparities in market exchange rates and the skewed allocations of foreign currency to certain market players has distorted pricing, thereby creating an uneven playing field and a fertile ground for arbitrage opportunities.

Aggregate demand remains firm despite the impacts of COVID-19, driven by the successful 2021 agricultural season, increased mining output and firmer commodity prices and the spending on infrastructure projects.

South Africa continued to implement very strict bans on the sale of, or trading in alcoholic beverages. The country experienced some unrests which culminated in the looting and destruction of shopping malls and other public infrastructure. There is also increased focus on electioneering ahead of the November 2021 municipal elections.

The Zambian economy was in a limbo ahead of the general elections held in August 2021 and will benefit from the positive vibes in support of the new Government. The Kwacha has appreciated, and inflation slowed down in the post-election period.

Effects of Coronavirus (COVID-19) on the business

The Company will continue to review its responses to the COVID-19 pandemic based on the best available medical and safety advice with a focus to avoid or reduce transmissions of the disease through its activities.

The roll out of vaccines has reduced the levels of infections and mortality rates and enabled some countries to return to normal levels of social and economic activity. There remains a risk of the resurgence of more virulent strains of the virus which would necessitate the reimposition of lockdowns. There are many uncertainties that make it difficult to fully estimate the full impact of the COVID-19 pandemic on the financial health of the Company and Group entities.

The Group has recorded tremendous success in the vaccination of employees, which bodes well in ensuring that the business continues to operate in a safe environment.

Trading Performance

Lager Beer

Lager beer volume for the six months grew by 57% compared to the same period last year. This is attributed to competitive pricing and consistent product supply with respect to both brand and pack. Price increases were less frequent and lower, in line with falling inflation. There are opportunities for traders to moderate pricing in foreign currency which remains above recommended levels. The ongoing injection of additional returnable glass bottles has resulted in increased product supply and allowed traders to remove the restriction to exchange bottles at point of purchase.

The business continues to benefit from the opening of more trade channels as the COVID-19 restrictions are eased.

Sorghum Beer

In Zimbabwe, the sorghum beer volume remained buoyant to register a growth of 68% for the six months in comparison to prior year. This was despite the curtailed distribution into rural markets and limited access to some key trade channels such as bars and beerhalls that remained inaccessible under COVID-19 lockdowns and curfews. There are cost pressures in the sector arising from rising prices of plastic packaging and fuel. There are ongoing efforts to unlock additional production capacity for Chibuku Super.

The volume at Natbrew Plc (Zambia) declined by 22% for the six months due to the limited access to the market under COVID-19 restrictions and resurgence of competition from the illegal bulk beer offerings. The appreciation of the Kwacha will reduce the cost pressure on imported materials.

Chairman's Letter to Shareholders (continued)

United National Breweries South Africa benefited from the lifting of the alcohol ban to record a volume increase of 118% over prior year. The business is implementing volume recovery initiatives with a focus on recruiting new customers and reinvigorating the product offering.

Sparkling Beverages

The Sparkling beverages volume grew by 95% over the previous year. The business has responded positively to the ongoing initiatives to recover market share through competitive pricing, focused market execution and consistent supply of brands, flavours and packs. The injection of additional glass bottles will increase availability of affordable packs. The Manicaland territory has been fully integrated, allowing the optimization of the production capacity. There are however some limitations on the supply of PET packs.

African Distillers Limited

African Distillers Limited (Afdis) registered a volume growth of 66% over the prior year. Ready to drink volume grew by 116% which is attributed to improved availability of Ciders. Wines and Spirits grew by 88% and 34% respectively. There are ongoing efforts to extend product distribution into more trade channels. The business unit continues to face fierce competition from cheap and illicit spirits in small packs.

Schweppes Holdings Africa

The beverage volume grew by 37% over prior year, driven by improved product supply and market recovery of the Minute Maid Juice drinks which were not available in the previous period. The volume performance continues to benefit from the increased economic activity as the COVID-19 lockdowns are relaxed.

Nampak Zimbabwe Limited

The volume and revenue performance of the packaging divisions is being buoyed by the volume recovery in the beverages sector. There are some challenges in sourcing key raw materials such as resins and tinplate from the international markets and the COVID-19 related disruptions to international shipping and freighting. The global commodity price cycles are placing cost-push pressure on the value chains.

Financial Performance

The half year interim financial statements reflect an improvement in the financial performance, benefiting from the volume recovery, the correction of value chain costs in real terms and realignment of pricing to competitive levels. There were increases in the cost of plastic packaging driven by global commodity cycles. In inflation adjusted terms the Group recorded revenue of ZW\$ 33,59 billion to achieve a growth of 99% above the prior year and ZW\$51,03 billion to grow by 192% in historic cost terms. In inflation adjusted terms, earnings before interest and tax grew by 5% to ZW\$6,44 billion and a 91% growth to ZW\$ 6,63 billion in historic cost terms. The operating margins were normalizing as inflation induced holding gains dissipated and the austerity measures adopted at the advent of COVID-19 ran their course. There are cost pressures arising from the disparities in exchange rates applied by local suppliers in setting prices. The operations in South Africa and Zambia posted losses as the volume grew from below breakeven levels arising from the limited trading under COVID-19. Net finance cost includes the exchange loss on the legacy foreign liabilities. The Group foreign currency exposure from legacy debt arrangement reduced to US\$ 13,9 million and is being retired under the Reserve Bank of Zimbabwe arrangements.

The Company remained cash generative closing the period with a net borrowing of ZW\$ 864 million. Capital expenditure of ZW\$ 1,2 billion was below planned replacement levels due to forex constraints at the beginning of the year.

Outlook

The Zimbabwean operating environment is expected to remain complex as the country begins to focus on the 2023 general elections in the circumstance of difficult economic policy choices. This may be further complicated by the COVID-19 pandemic which remains a factor into the short-term. The improved food security, reduced pressure on food imports and access to additional foreign currency from the International Monetary Fund allocation of Special Drawing Rights (SDR) will promote consumer spending. The businesses in Zimbabwe are geared to exploit the opportunities to grow volume and profitability on the back of improved access to foreign currency through domestic Nostro sales and firmer aggregate demand.

The company will continue placing the safety and health of its workers first, abiding by best practice and protocols dictated by the authorities while seeking to exploit any opportunities to grow the business.

Directorate

I wish to pay a special tribute to my predecessor Mr C F Dube who retired from the Board and as Chairman at the end of July 2021.

The Board welcomed both Dr A M P Marufu and I to the board on 1 August 2021. I feel honoured to have been appointed to the Board and as Chairman.

DIVIDEND

The Board has declared an interim dividend (number 128) of ZW\$ 75 cents per share to be paid on 15 December 2021.

For and on behalf of the Board

S MOYO
Chairman
5 November 2021

Dividend Notice To Shareholders

NOTICE is hereby given that the Board of Directors has declared an Interim Dividend, Number 128, of ZW\$75 cents per share payable in respect of all the qualifying ordinary shares of the Company to be paid out of the profits for the current financial year. This will be payable to shareholders registered at the close of business on 3 December 2021. The dividend will be paid by direct transfers or other approved forms of payment as per the following timetable.

ACTION	DATE
Announcement Date	11 November 2021
Last Date to Trade – cum dividend	30 November 2021
Share Trade Ex Dividend	01 December 2021
Last Record Date (LDR)	03 December 2021
Payment Date	15 December 2021
Dividend Per Share	ZW\$ 75 cents
Dividend Amount	ZW\$ 974 million

By Order of the Board

A Makamure
Company Secretary
11 November 2021