

Delta Corporation

LIMITED



Brighter together

Audited Financial Information

for the year ended 31 March 2023



Salient Features

	INFLATION ADJUSTED	HISTORIC COST
Revenue	Increased by 60% to ZW\$ 536,92 billion	Increased by 423% to ZW\$ 452,08 billion
Operating Income	Increased by 29% to ZW\$ 99,79 billion	Increased by 375% to ZW\$ 102,70 billion
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	Increased by 29% to ZW\$ 112,60 billion	Increased by 381% to ZW\$ 106,72 billion
Headline Earnings per share	Increased by 27% to ZW\$ 4 839,29 cents	Increased by 382% to ZW\$ 7 400,91 cents
Attributable Earnings per share	Increased by 29% to ZW\$ 4 842,23 cents	Increased by 388% to ZW\$ 7 400,79 cents
Dividend per share	Interim dividend declared US\$ 0,01 cent Final dividend declared US\$ 0,02 cent	Total dividend declared US\$ 0,03 cent

Group Statement of Financial Position

	INFLATION ADJUSTED		*HISTORIC COST	
	Audited As At 31 March 2023 ZW\$ 000	Audited As At 31 March 2022 ZW\$ 000	As At 31 March 2023 ZW\$ 000	As At 31 March 2022 ZW\$ 000
ASSETS				
Non-current assets				
Property, plant and equipment	173 923 271	132 712 292	79 360 766	14 835 768
Right-of-use asset	525 591	326 013	73 448	31 912
Investments in associates	14 157 530	13 705 362	5 087 372	1 339 858
Intangible assets	28 146 509	23 339 480	21 075 114	5 158 629
Investments and loans	7 426 173	3 826 151	7 426 173	1 257 568
Financial assets at amortised cost	1 435 442	—	1 435 442	—
	225 614 516	173 909 298	114 458 515	22 623 735
Current assets				
Inventories	96 351 625	45 765 203	74 411 957	11 309 771
Trade and other receivables	40 978 246	15 580 593	40 978 246	5 120 984
Other assets	23 766 292	30 301 650	17 076 633	8 596 270
Current tax asset	—	417	—	137
Financial Asset at fair value	—	4 966 364	—	1 632 330
Cash and cash equivalents	16 011 752	15 984 066	16 011 752	5 253 596
	177 107 919	112 598 293	148 478 588	31 913 088
Total assets	402 722 435	286 507 591	262 936 903	54 536 823
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	1 772 427	1 772 314	13 081	12 986
Share premium	12 087 555	12 053 579	134 811	106 462
Share option reserve	2 149 581	1 486 194	729 954	135 911
Share buyback	(2 280 877)	(2 280 877)	(16 418)	(16 418)
Foreign currency translation reserve	25 089 410	7 250 317	25 089 410	2 045 545
Retained earnings	203 607 277	149 349 951	108 540 711	21 190 122
Other reserves - Arising from change in ownership	(1 185 112)	(974 549)	(427 172)	(211 004)
Equity attributed to equity holders of the parent	241 240 261	168 656 929	134 064 377	23 263 604
Non-controlling interests	(1 693 863)	2 667 337	(4 958 521)	(160 863)
Shareholders' equity	239 506 398	171 324 266	129 105 856	23 102 741
Non-current liabilities				
Long term borrowings	467 767	5 468 957	467 767	1 797 521
Long term lease liability	1 818 920	497 437	1 818 920	163 496
Deferred tax liabilities	31 169 372	27 209 367	1 824 382	2 519 059
	33 456 059	33 175 761	4 111 069	4 480 076
Current liabilities				
Short term borrowings	5 162 598	4 977 011	5 162 598	1 635 830
Short term lease liability	208 853	39 410	208 853	12 953
Trade and other payables	91 409 769	45 327 181	91 409 769	14 898 005
Provisions	28 059 215	15 012 590	28 059 215	4 934 294
Dividend payable	2	11 853 337	2	3 895 920
Current tax liability	4 879 541	4 798 035	4 879 541	1 577 004
	129 719 978	82 007 564	129 719 978	26 954 006
Total equity and liabilities	402 722 435	286 507 591	262 936 903	54 536 823
Net asset value per share (cents)	18,499.96	13,018.00	10,280.97	1,795.62

* The Historical information is provided as supplementary information. Refer to note 9.



Group Statement of Profit or Loss and Other Comprehensive Income

	INFLATION ADJUSTED		*HISTORIC COST	
	Audited Year Ended 31 March 2023 ZW\$ 000	Audited Year Ended 31 March 2022 ZW\$ 000	Year Ended 31 March 2023 ZW\$ 000	Year Ended 31 March 2022 ZW\$ 000
Revenue	536 922 601	335 163 349	452 081 417	86 457 003
Operating income	99 794 818	77 202 932	102 701 498	21 601 298
Finance charges	(6 876 242)	(1 326 752)	(6 216 127)	(409 256)
Finance income	59 112	422 302	32 603	84 964
Exchange gain / (losses)	29 966 508	7 071 333	14 636 097	2 865 505
Movement in legacy debt	(1 227 057)	(1 539 767)	(1 227 057)	(506 086)
Monetary loss	(34 840 255)	(23 246 276)	—	—
Share of profit of associates	452 172	1 765 042	3 747 514	717 964
Profit before tax	87 329 056	60 348 814	113 674 528	24 354 389
Income tax expense	(24 186 210)	(11 666 485)	(17 167 891)	(4 721 451)
Profit for the year	63 142 846	48 682 329	96 506 637	19 632 938
Attributable to:				
Owners of the parent	65 392 176	48 581 359	97 132 858	19 340 403
Non controlling interest	(2 249 330)	100 970	(626 221)	292 535
Total profit for the year	63 142 846	48 682 329	96 506 637	19 632 938
Other comprehensive income				
Foreign exchange differences on translation of foreign operations	15 975 437	(394 859)	19 070 714	733 508
Total Comprehensive income for the year	79 118 283	48 287 470	115 577 351	20 366 446
Total comprehensive income for the year attributable to:				
Owners of the parent	83 231 269	49 747 391	120 176 723	20 586 940
Non controlling interest	(4 112 986)	(1 459 921)	(4 599 372)	(220 494)
	79 118 283	48 287 470	115 577 351	20 366 446
Weighted average shares in issue (millions)	1,304	1,296	1,304	1,296
Earnings per share (ZW\$ cents)				
Headline earnings	4,839.29	3,818.59	7,400.79	1,536.39
Diluted earnings	4,777.89	3,710.84	7,302.46	1,496.53
Basic earnings	4,842.23	3,757.59	7,400.79	1,515.39

* The Historical information is provided as supplementary information. Refer to note 9.



Supplementary Information (continued)

5. Segmental Reporting (continued)

Information about reportable segments (continued)

	Lager Beer ZW\$ 000	Sparkling Beverages ZW\$ 000	Sorghum Beer ZW\$ 000	Wines and Spirits ZW\$ 000	Total Reportable Segments ZW\$ 000	All Other Segments ZW\$ 000	Total ZW\$ 000
HISTORIC COST							
2022							
Segment revenue	33 568 298	14 973 622	30 833 617	6 562 432	85 937 969	2 732 674	88 670 643
Inter-segment revenue	—	—	—	—	—	(2 213 640)	(2 213 640)
Segment revenue	33 568 298	14 973 622	30 833 617	6 562 432	85 937 969	519 034	86 457 003
Segment operating income	10 822 788	2 405 768	5 097 675	1 766 324	20 090 553	1 510 745	21 601 298
Segment net working capital*	427 782	89 283	53 253	1 648 759	2 219 077	6 580 461	8 799 538
Segment trade and other payables**	(4 095 439)	(4 404 974)	(8 390 983)	(1 018 519)	(17 909 915)	(3 571 167)	(21 481 082)
Segment working capital assets	4 523 221	4 494 257	8 444 236	2 667 278	20 128 992	10 151 628	30 280 620
Segment property, plant and equipment	3 376 269	4 746 744	5 784 151	248 642	14 155 806	679 962	14 835 768
Non-current assets additions	1 340 434	999 808	1 169 143	201 884	3 711 269	459 740	4 171 009

** Included are trade and other payables, provisions and short term borrowings.

* Net working capital comprises of cash and cash equivalents, receivables, inventories, payables excluding provision for tax.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment operating income represents segment income before the allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

No single customer contributed 10% or more to the Group's or individual segment's revenue.

	INFLATION ADJUSTED		HISTORIC COST	
	2023 ZW\$ 000	2022 ZW\$ 000	2023 ZW\$ 000	2022 ZW\$ 000
i) Revenue				
Total revenue for reportable segments	535 827 746	333 132 020	451 258 886	85 937 969
Revenue for other segments	17 930 764	10 812 008	15 107 938	2 732 674
Elimination of inter-segment revenue	(16 835 909)	(8 780 679)	(14 285 407)	(2 213 640)
Consolidated revenue	536 922 601	335 163 349	452 081 417	86 457 003
ii) Operating income				
Total operating income for reportable segments	90 965 007	70 752 114	88 848 356	20 090 553
Operating income for other segments	8 829 811	6 450 818	13 853 142	1 510 745
- Finance income	59 112	422 302	32 603	84 964
- Finance cost	(6 876 242)	(1 326 752)	(6 216 127)	(409 256)
- Share of profit of equity-accounted investees	308 681	1 765 042	3 747 514	717 964
- Exchange gains / (losses)	29 966 508	7 071 333	14 636 097	2 865 505
- Movement in legacy debt	(1 227 057)	(1 539 767)	(1 227 057)	(506 086)
- Monetary loss	(37 935 530)	(23 246 276)	—	—
Consolidated profit before tax	84 090 290	60 348 814	113 674 528	24 354 389
iii) Assets				
Total working capital assets for reportable segments	59 890 842	72 370 895	109 343 771	20 128 992
Working capital assets for other segments	118 652 515	35 260 621	40 570 259	10 151 629
Total property, plant and equipment for reportable segments	160 116 014	120 090 183	74 547 986	14 155 806
Property, plant and equipment for other segments	13 807 257	12 622 109	4 812 780	679 962
Intangible assets	28 146 509	23 339 477	21 075 114	5 158 629
Right-of-use asset	525 591	326 013	73 448	31 912
Equity-accounted investees	14 014 039	13 705 361	5 087 372	1 339 858
Investments and loans	7 426 173	3 826 151	7 426 173	1 257 568
Current tax asset	—	417	—	137
Financial Asset at fair value	—	4 966 364	—	1 632 330
Consolidated total assets	402 578 940	286 507 591	262 936 903	54 536 823
iii) Liabilities				
Total trade and other payables for reportable segments	101 385 911	54 509 670	101 385 911	17 916 079
Trade and other payables for other segments	23 245 671	10 807 113	23 245 671	3 552 050
Total long-term borrowings for reportable segments	467 767	5 468 958	467 767	1 797 521
Long-term borrowings for other segments	—	—	—	—
Total lease liability for reportable segments	1 104 831	478 683	1 104 831	157 332
Lease liability for other segments	922 942	58 163	922 942	19 117
Total deferred tax liabilities for reportable segments	2 372 001	4 583 739	1 355 641	1 155 562
Deferred tax liabilities for other segments	28 797 371	22 625 627	468 742	1 363 497
Dividend payable	2	11 853 337	2	3 895 920
Current tax liability	4 879 541	4 798 035	4 879 541	1 577 004
Consolidated total liabilities	163 176 037	115 183 325	133 831 047	31 434 082

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.

This abridged consolidated financial information has been prepared under the supervision of Mr Alex Makamure FCA(Z), Executive Director – Finance, registered Public Accountant, PAAB Number 0318 and has been reviewed by external auditors in terms of the Companies and Other Business Entities Act (Chapter 24:31).

7. Statement of Compliance

The abridged consolidated financial information of the Group has 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.

7. Statement of Compliance (continued)

The Directors note that there are varied interpretations and applications of legislation and exchange control directives governing the current multi-currency framework in Zimbabwe and in particular the statutory instruments relating to the pricing of goods in foreign currency and the exchange rates thereto. These interpretations have a bearing on the application of International Accounting Standard (IAS 21) – The effects of Changes in Foreign Exchange Rates with respect to converting domestic transactions conducted in foreign currencies.

8. Significant Accounting Policies

The abridged consolidated financial information has 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 abridged consolidated financial information is presented in Zimbabwe dollars. They have been prepared under the inflation-adjusted accounting basis in line with the provisions of International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29), hence the 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 and the Group. The historical cost financial statements have been provided by way of supplementary 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 as 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 up to 31 January 2023.

On the 3rd of March 2023, government issued SI 27 of 2023, which defined the term "rate of inflation" and introduced a new inflation rate measurement method. Consequently, ZIMSTATS stopped reporting ZW\$ inflation and CPI figures and only released blended CPI figures. This change created a challenge for the Group, as it had been using the ZW\$ CPI for reporting inflation adjusted historical figures.

The use of indices issued by Zimstats made comparability possible for business in Zimbabwe. While it is preferable for all companies using the ZW\$ functional currency to use the same index, the standard provides that each business may determine an index for the purpose of compliance with IFRS in the absence of official statistics.

In the absence of a reliable, independently determined index, the Group had to consider various methodologies of determining the appropriate indices for the month of February and March. This included the use of independent experts as well as consideration of the movements in the exchange rates which have a bearing on inflation developments. As an additional step, the Group compared the data used in publications issued by recognised institutions. The Group has concluded that indices used for Hyperinflationary accounting are reasonable. The determination of the indices is a significant area of judgement. The timing of the resolution of the uncertainty regarding the CPI is unknown.

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

	Index	Conversion Factor
31 March 2023	14 500,9	1,00
31 March 2022	4 766,1	3,04
31 March 2021	2 759,8	5,25
Average CPI for the 12 months to:		
Average March 2023	11 618,1	1,57
Average March 2022	3 582,9	4,17

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. See note 14 for the CPI sensitivity analysis.

10. Currency Changes and Exchange Rates

The financial statements are presented in the ZW\$ the transactional, functional and reporting currency.

The Government of Zimbabwe has since 2020 promulgated legislative changes, which have since been consolidated into the Finance Acts, and which permit the use of foreign currencies for domestic transactions. The Monetary Authorities introduced the Foreign Exchange Auction Trading System in June 2020 and the Willing Buyer Willing Seller framework in 2022. The Zimbabwe businesses have relied on foreign currency obtained through the sale of products on the domestic market in line with the multi-currency framework. There have been significant gaps between the auction exchange rates and the rates reflected by comparing the market prices of goods and services quoted in alternative currencies. International Accounting Standard 21 (IAS21) – The effects of Changes in Foreign Exchange Rates require 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 period under review 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 foreign currency transactions to the reporting currency and as the spot rate used in translating other foreign balances has at times differed from the official rates.

The Institute of Chartered Accountants of Zimbabwe (ICAZ) issued an interpretation guidance titled Lack of Exchangeability – Interpretation of IAS 21, The Effects of Changes in Foreign exchange rates in May 2022. Our interpretation of this guidance confirms that the treatment that the Group has applied in estimating an exchange rate is acceptable.

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 the abridged consolidated inflation-adjusted financial information in relation to the reporting currency and conversion to comparative currencies.

Application of IAS 21 - The Effects of Changes in Foreign Exchange Rates

The Directors and Management differ with the professional conclusion of our auditors on the application of IAS21. The independent auditors Ernst & Young Chartered Accountants (Zimbabwe) have, since the 2022 reporting period and with respect to the current year issued an adverse audit opinion as they believe that the determination of an estimate exchange rate is not compliant with International Financial Reporting Standards ("IFRS"). The auditors believe the bank rate (either the auction exchange rate or willing buyer willing seller exchange rate) is the appropriate spot exchange rate that 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 particularly in the absence of definitive guidance from the Public Accountants and Auditors Board.



Supplementary Information (continued)

11. Legacy Foreign Liabilities

The Group extinguished all legacy foreign liabilities as at 31 March 2023 (2022: US\$10,7 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 Group had registered these liabilities with the Reserve Bank of Zimbabwe and transferred to the Reserve Bank of Zimbabwe the ZW\$ equivalent of the foreign liabilities based on the US\$/ZW\$ 1:1 exchange rate in line with Directives RU102/2019 and RU28/2019 and as agreed with the Reserve Bank of Zimbabwe. Both the foreign liabilities and the deposits were accounted for at the closing exchange rates and the cash cover deposits at the Reserve Bank of Zimbabwe were disclosed as a financial asset in prior years. The following exchange losses and revaluation gains have been recorded in the statement of profit or loss.

Movement in Legacy Debt

	INFLATION ADJUSTED		HISTORIC COST	
	2023 ZW\$ 000	2022 ZW\$ 000	2023 ZW\$ 000	2022 ZW\$ 000
Exchange losses on revaluation of legacy debt	(5 169 176)	(4 137 301)	(5 169 176)	(1 359 836)
Exchange gains on revaluation of financial asset	3 942 119	2 597 534	3 942 119	853 750
	(1 227 057)	(1 539 767)	(1 227 057)	(506 086)

An amount of ZW\$ 1,2 billion was recorded as an exchange loss relating to the legacy foreign liabilities held during the year. In compliance with IFRS, the deposit at the Reserve Bank of Zimbabwe represented a commitment to pay an equivalent value in US\$ and was therefore treated as a financial derivative translated at the closing rate and discounted to Net Present Value.

The legacy debts were transferred from the Reserve Bank of Zimbabwe to the Government of Zimbabwe under the Finance Act No. 7 of 2021. At the end of the year, the Government issued United States Dollar denominated treasury bills in settlement of the legacy debts. As such, the asset presented on the financial statements is the treasury bid component related to legacy debts.

12. Cash Flow Information

	INFLATION ADJUSTED		HISTORIC COST	
	2023 ZW\$ 000	2022 ZW\$ 000	2023 ZW\$ 000	2022 ZW\$ 000
Cash generated from operating activities				
Profit before tax	87 329 056	60 348 814	113 674 528	24 354 389
Depreciation of property, plant and equipment, right of use and container amortisation	12 805 232	11 202 396	4 018 546	836 924
Impairment of property, plant and equipment	—	(828 804)	—	(272 409)
Profit on disposal of property, plant and equipment	38 333	38 545	(1 571)	344
Share option expense	735 484	551 727	635 629	134 098
Finance charges	6 876 242	1 326 752	6 216 127	409 256
Finance income	(59 112)	(422 302)	(32 603)	(84 964)
Exchange (gain) / losses	(8 997 250)	(7 071 333)	(8 997 250)	(2 865 505)
Movement in legacy debt	1 227 057	1 539 767	1 227 057	506 086
Share of profit of associates	(452 172)	(1 765 042)	(3 747 514)	(717 964)
Stock losses and breakages	3 999 057	2 009 979	3 537 443	593 333
Container and Stock revaluation	(17 489 710)	(2 935 517)	(13 967 391)	(728 344)
Monetary loss	34 840 255	23 246 276	—	—
Other non cash items**	7 592 550	(25 225 509)	7 008 034	(2 578 103)
	128 445 022	62 015 749	109 571 035	19 587 141

13. Contingencies

13.1 Uncertain Tax Positions

There have been significant currency changes in Zimbabwe since 2018. These changes create some uncertainties in the treatment of transactions for tax purposes 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, thereby creating uncertainties in tax positions.

The Zimbabwe Revenue Authority (ZIMRA) has made some assessments which imply the rejection of the Zimbabwe Dollar as legal tender for the settlement of tax obligations that they deem were payable in foreign currency. These assessments are being objected to and challenged through the courts. Similarly, Natbrev Zambia is challenging an assessment by the Zambia Revenue Authority relating to transfer pricing positions on royalties and group charges for periods prior to the acquisition of the entity. The group anticipates a favourable determination on the tax matters.

14. CPI Sensitivity

The Group considered various methodologies in determining the ZW\$ inflation indices to use for preparation of inflation adjusted accounts. The methodologies applied were consistent with those required by International Accounting Standard 29 (IAS29 - Financial Reporting in Hyperinflationary Economies). In determining the indices, the group considered the movement in the exchange rates and engaged an expert in determining the basket of goods in line with the methodologies previously used by ZIMSTATS. Our assessment recognises the invariable challenges in the methodologies applied as the basket of goods is impacted by multiple exchange rates. The analysis below seeks to demonstrate the sensitivity of the indices used in comparison to indices derived using other methodologies.

IAS 29 provides that each business may determine an index for the purpose of compliance with IFRS. The resultant CPIs were based on the scenarios as disclosed below:

A - Consideration of Interbank Exchange rate in the determination of Indices

This methodology assumed the use of the movement in the interbank exchange rate.

B - Consideration of Internal Exchange rate in the determination of Indices

As communicated per note 9, the Group uses an internally determined exchange rate. This methodology assumed the use of the movement in the internal exchange rate.

C - Use of an Independent Expert

Based on the pricing of general goods independently determined by external experts and data generated by reputable research institutions. The estimates are based on a basket of goods impacted by the different economic fundamentals. The basket of goods and weighting thereof follows the bases used by ZIMSTATS and has been considered as the best estimate of the reflection of the National Consumer Price Index and hence has been adopted for reporting.

Supplementary Information (continued)

14. CPI Sensitivity (continued)

Sensitivity Analysis

Scenario	C		A		B	
	*Index Based on expert repopulated basket	Index based on official exchange rate	**Impact of change in the conversion factor (%)	Index based on Internal exchange rate	***Impact of change in the conversion factor (%)	
31 March 2023 Estimated Index	14 500,9	16 258,4	12%	15 892,7	10%	
Average March 2023	11 618,1	11 777,5	1%	11 827,1	2%	

* The Group adopted the use of the expert derived index

** Impact of change in the conversion factor if the Index based on the official exchange rate is used instead of the expert-derived index

*** Impact of change in the conversion factor if the Index based on the internal exchange rate is used instead of the expert-derived index

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. The Zimbabwe business is witnessing a significant recovery despite operating in an unstable macro-economic environment. The key factors relate to an unstable currency, high inflation, a turbid political environment, fluid policy framework, and the impacts of global conflicts.

Consumer spending continues to be strongly driven by mining and infrastructure development projects. The business has been able to grow volume across all business units during the period. Management constantly reviews the business risks and the business continuity plans in order to maintain operations at sustainable levels; competitive product pricing, cost reduction initiatives, and adapting sourcing strategies as necessary. United National Breweries (UNB) is on a recovery path from the residual effects of COVID-19 with UNB almost achieving breakeven volumes and cash flows. Management will continue to realign the marketing, route to market, and business operations in general, for sustainability.

Natbrev Zambia has faced funding challenges arising from cumulative financial losses and loss of volume over the years. Management is implementing a business recovery plan over the next 5 years. The significant recovery of volume in F23 demonstrates the positive effects of this turnaround plan.

16. Impairment Assessment of Assets

Management undertakes the requisite assessments for possible impairment of individual asset or clusters of assets at each reporting period. There were no significant asset impairments in the prior year and current year.

17. Subsequent Events

There are no subsequent events to report.

18. External Auditor's Conclusion

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

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

Chairman's Letter to Shareholders

Dear Shareholder

Environmental Overview

The Zimbabwean economy recorded modest growth in the reporting period, which was driven by both formal and informal mining, government infrastructure projects and diaspora remittances. Though there was lower than expected maize output, other agricultural products such as wheat recorded growth, contributing towards the economic growth. The economy was, however, negatively impacted by high inflation, the depreciation of the local currency and increased power supply outages during the second half of the year.

The monetary policy interventions such as the increased interest rates, the introduction of gold coins and delays in government payments, temporarily halted the economic turbulence that was experienced during the year. The relative stability in inflation and exchange rates witnessed in the second half of 2022 has unwound in the first months of 2023, with the currency depreciating at a faster pace. The use of foreign currency for domestic transactions increased significantly during the year, spurred by the constrained Zimbabwe Dollar liquidity.

The official exchange rate depreciated by over 500% during the financial year, whilst we estimated year on year inflation at 206% as measured using the total consumption poverty line, which is a proxy for the Zimbabwe Dollar inflation indices.

Consumer spending continued to be buoyant, being boosted by stable US Dollar pricing, and modest improvements in wages and salaries across various sectors. There has been an increased informalisation of trade due to a number of issues such as the distorted pricing arising from use of multiple exchange rates, high IMTT tax, mandatory liquidations of foreign currency deposits and high bank charges.

South Africa has witnessed slower economic growth being impacted by power supply disruptions, high unemployment, exchange rate volatility, fuel price increases and elevated inflation levels. There are concerns about an anti-immigrant sentiment in some communities and the high incidence of violent crime.

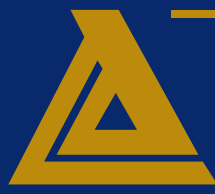
Zambia's policy environment remains promising with significant international investor confidence in the country although consumer spending remains constrained. The firming of commodity prices will have a positive impact on the economy. The debt burden continues to be one of the biggest risks facing the Zambian economy together with the depreciating Kwacha. At the tail end of the year there was concern about the shortage of maize, which may impact the already fragile economy.

The global economies have been impacted by the pass-through effects arising from the supply chain disruptions in the aftermath of the COVID-19 pandemic and higher commodity costs brought about by the war between Russia and Ukraine. There are indications of currency instability and an imminent global recession.

Trading Performance

Lager Beer

Lager beer recorded improved volume performance throughout the year with a growth of 17% compared to prior year, achieving a record volume of 2.2 million hectolitres. The category benefitted from the injection of returnable glass bottles and the improved plant performance. Packaging capacity remains limited, resulting in mismatches of demand and supply of brands and packs. The disruptions in the supply of non-returnable bottles and cans affecting the region are improving which will support one way convenience packs.



Chairman's Letter to Shareholders (continued)

Trading Performance (continued)

Lager Beer (continued)

The business continues to focus on improving customer service and on increasing consumer facing activities. The installation of an additional packaging plant is progressing to schedule, for commissioning in June 2023 which will underwrite the supply of brands in line with market expectations.

Sorghum Beer

The sorghum beer volume in Zimbabwe grew by 9% for the year. The Chibuku Super supply was constrained by limited production capacity due to disruptions in the supply of power and water. The group also drove the revival of the Scud pack to enhance market supply and address affordability thus improving demand. A new Chibuku Super plant is being installed at the Harare Brewery which is scheduled for commissioning by June 2023. These investments will enable ongoing efforts to leverage on the available production capacity to cover the regional requirements as well as improve the supply of recently launched Chibuku Super Banana, which has excited the market.

The Chibuku brand celebrated its 60th anniversary during the year, which was highlighted by increased consumer engagements through music and sport activations.

United National Breweries South Africa recorded a volume growth of 12% over prior year, with slower growth recorded in the second half of the year. This was attributed to price distortions in the market driven by lack of pricing compliance by traders as a result of higher cost of fuel and distribution costs. Butterworths brewery, located in Eastern Cape province, was reopened during the year to address issues of product supply and the cost of distribution. The impact of the rampant power cuts impact production throughout the year.

Chibuku Super was successfully introduced into the South African market, through supplies from regional units. The commissioning of the Super Chibuku Plant in South Africa is expected by August 2023.

Natbrew Plc (Zambia) recorded encouraging volume recovery in second half of the year to close with a growth of 28% for the year. The recovery is driven by the returnable Scud pack and Chibuku Super Banana. The focus is on stabilising the supply chain and revamping the route to consumer to capture the improved consumer demand for our product. There is concern about the maize supply challenges and the impact of the currency depreciation on import costs.

Sparkling Beverages

The Sparkling beverages volume grew by 10% over the previous year and continued to recover market share despite the currency induced pricing distortions. The growth is anchored by the increased market penetration of the returnable glass packs and better availability of packs and flavours.

There were more pronounced product supply disruptions arising from power and water outages in the second half of the year. The supply of PET packs was constrained and is being addressed through the new plant which is scheduled for commissioning in May 2023. This will allow the supply of the full range of flavours and pack sizes.

Wines and Spirits

African Distillers (Afdis) recorded a volume growth of 18% for the year driven by the ciders ready to drink category, which grew by 23% and Wines, which grew by 16%. The volume growth was underpinned by the improved availability of locally produced brands and a revamped route to market which focused on direct store delivery. The business commissioned a new PET line and localised fermentation of ciders during the year.

The entity continues to receive technical support from partners Distell, which is now part of Heineken BV.

Schweppes Holdings Africa

The volumes at Schweppes were flat for the year, having been affected by shortages of juice concentrates and a prolonged plant breakdown that disrupted the supply of Minute Maid branded juice drinks and bottled water. The currency related pricing distortions affecting formal outlets severely disrupted the route to market.

There was an improvement in the intake of juicing fruit during the 2022 season although the long-term supply positions are affected by the levels of exports of fresh fruit.

Nampak Zimbabwe Limited

The volumes at Nampak Zimbabwe have been steady, riding on the recovery in the beverages and other consumer sectors. The focus remains on stabilising the supply of key imported materials that are affected by developments in the international commodities markets.

Financial Performance

Group revenue increased by 60% to ZW\$537 billion in inflation adjusted terms, reflecting the volume gains across business units and the replacement cost-based pricing. Earnings before interest and tax (EBIT) grew by 29 % to ZW\$99,79 billion which indicates the benefits of higher throughput and focused cost management.

In historic cost terms, the Group revenue grew by 423% to ZW\$452 billion compared to average inflation of 221%. Earnings before interest and tax (EBIT) grew by 371% to ZW\$102 billion, reflecting the higher volumes, inflationary stock holding gains and the realignment of cost structures as the economy dollarised. There were some significant increases in costs of fuel, imported raw materials and packaging, driven by the world markets which were impacted by geopolitical developments.

UNB South Africa recorded a near breakeven outturn whilst Natbrew Zambia posted a loss due to depressed volumes. The entities are expected to show an improved performance in the year to March 2024.

Zimbabwe maintained significant contributions in foreign currency takings and has been managing the value chain partners to utilise both currencies. The business has however experienced increased dollarisation of costs. Our business is susceptible to pricing arbitrage opportunities which due to exchange rate volatility impacts currency purchase decisions.

In order to provide users with a better insight into the underlying performance, the board estimates Group revenue at US\$712million, up 19% over the prior year, whilst EBIT is indicated at US\$140.6 million.

Users should note the inherent challenges of converting the financial statements into a stable currency given the disparate exchange rates prevailing in the country during the reporting periods.

The Group remains cash generative and has funded the on-going capital projects largely from own resources.

Outlook

The election season in Zimbabwe is upon us and will dominate an operating environment that is faced with numerous economic challenges. We anticipate a continuation of the current policy environment anchored by multicurrency trading system with increased dollarisation. The economy will benefit from the improved 2023 agricultural season, the increase in mining activities and the election spending. The increased dollarisation of the economy may result in reduced volatility of inflation and the exchange rate, however there is a risk that increased dollarisation may lead to economic contraction.

There are significant complexities and uncertainties relating to the legislation on pricing, which are exacerbated by the ambiguous and the largely impractical taxation framework. There are also headwinds in the global economy, which are driving commodity pricing and supply disruptions, and the volatility of international financial markets.

Both Zambia and South Africa are facing some challenges although consumer spending is expected to grow, thereby creating opportunities for our entities to recover volume.

The focus remains on leveraging on the ongoing capacity investment projects to exploit any emerging growth opportunities. Aggregate demand will benefit from the recent policies on beneficiation of mineral ore before exportation, diaspora remittances and infrastructure projects.

Advancing Our Sustainability Priorities

The Group remains focused on its sustainability agenda, with increased activities in the areas of responsible alcohol consumption, reduction in waste and pollution, community involvement and optimising resource utilisation. In the current year we have amplified our communication on underage drinking under the Pledge 18 campaign, Make A Difference-Recycle executions and resumed the brand activations supporting sports and culture.

Dividend

The Board declared a final dividend (number 132) of US2.0 cents per share to be paid on 21 June 2023. This brings the total dividend for the year to US3.0 cents per share.

Appreciation

I wish to record my appreciation to management and staff for their great efforts in sustaining the business in the challenging operating environment. I also thank my fellow directors for their wise counsel and our customers, consumers, suppliers, regulators and stakeholders for their ongoing support.

For and on behalf of the Board

S MOYO
Chairman
12 May 2023

Dividend Notice To Shareholders

NOTICE is hereby given that the Board of Directors has declared a Final Dividend, Number 132 of US 2 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 2 June 2023. The dividend will be paid by direct transfers or other approved forms of payment as per the following timetable.

ACTION	DATE
Announcement Date	12 May 2023
Last Date to Trade- cum dividend	30 May 2023
Share Trade Ex Dividend	31 May 2023
Last Record Date (LDR)	02 June 2023
Payment Date	21 June 2023
Dividend Per Share	US 2.0 cent

By Order of the Board

Ms F Musinga
Company Secretary
12 May 2023

