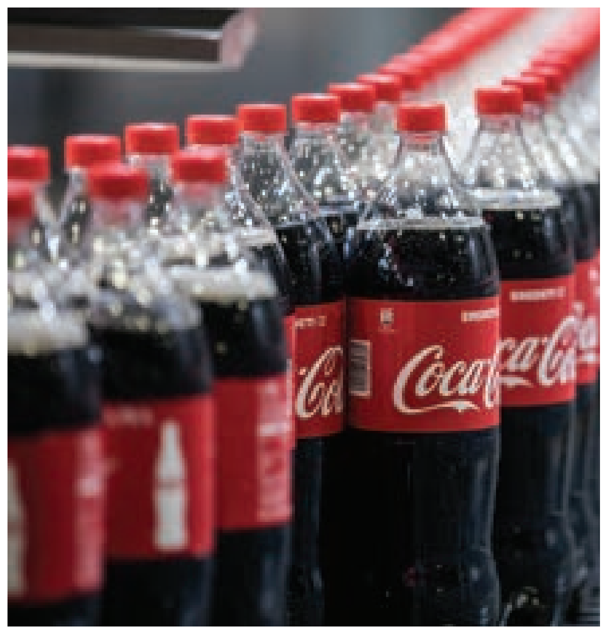
Delta Corporation LIMITED

Brighter together

Audited Financial Information

for the year ended 31 March 2020



Salient Features

	INFLATION ADJUSTED	HISTORICAL COST
Revenue	Increased by **10%** to **ZWL 8,43 billion**	Increased by **480%** to **ZWL 4,19 billion**
Operating Income	Increased by **19%** to **ZWL 2,15 billion**	Increased by **650%** to **ZWL 1,32 billion**
EBITDA	Increased by **26%** to **ZWL 2,63 billion**	Increased by **566%** to **ZWL 1,42 billion**
Headline Earnings Per Share	Increased by **9%** to **ZWL 94.99 cents**	Increased by **629%** to **ZWL 81,55 cents**

Group Statement of Financial Position

	INFLATION ADJUSTED		HISTORIC COST	
	AUDITED As At 31 March 2020 ZWL'000	AUDITED As At 31 March 2019 ZWL'000	AUDITED As At 31 March 2020 ZWL'000	AUDITED As At 31 March 2019 ZWL'000
ASSETS				
Non-current assets				
Property, plant and equipment	5 909 741	6 110 470	1 642 092	787 037
Right-of-use asset	25 747	—	25 747	—
Investments in associates	447 666	339 809	78 336	43 768
Intangible assets - Goodwill	140 247	140 247	18 064	18 064
Intangible assets - Trademarks	339 938	339 938	43 785	43 785
Investments and loans	83 169	66 684	83 169	8 589
	6 946 508	6 997 148	1 891 193	901 243
Current assets				
Inventories	1 318 076	1 000 481	764 725	128 863
Trade and other receivables	1 193 907	364 439	932 947	46 940
Current tax asset	15 685	68 120	15 685	8 774
Financial Asset at fair value	1 591 273	—	1 591 273	—
Cash and cash equivalents	225 203	2 050 374	225 203	264 091
	4 344 144	3 483 414	3 529 833	448 668
TOTAL ASSETS	11 290 652	10 480 562	5 421 026	1 349 911
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	98 975	98 453	12 789	12 681
Share premium	668 179	644 519	87 125	83 015
Share option reserve	43 881	30 442	9 696	3 921
Retained earnings and other reserves	5 494 686	5 206 599	1 685 073	670 617
Equity attributed to equity holders of the parent	6 305 721	5 980 013	1 794 683	770 234
Non-controlling interests	126 840	254 368	23 584	32 763
Shareholders' equity	6 432 561	6 234 381	1 818 267	802 997
Non-current liabilities				
Long term borrowings	36 397	818 648	36 397	105 443
Deferred tax liabilities	1 063 048	448 450	166 619	57 761
	1 099 445	1 267 098	203 016	163 204
Current liabilities				
Short term borrowings	1 254 326	376 122	1 254 326	48 445
Lease liability	28 431	—	28 431	—
Trade and other payables	2 244 728	2 205 085	1 885 825	284 018
Dividend payable	86 048	344 771	86 048	44 407
Current tax liability	145 113	53 105	145 113	6 840
	3 758 646	2 979 083	3 399 743	383 710
TOTAL EQUITY AND LIABILITIES	11 290 652	10 480 562	5 421 026	1 349 911
Net asset value per share (cents)	494.36	475.53	140.70	61.25

Group Statement of Profit or Loss and Other Comprehensive Income

	INFLATION ADJUSTED		HISTORIC COST	
	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000
Revenue	8 432 238	7 683 598	4 193 260	722 384
Operating income	2 151 833	1 810 435	1 316 777	175 488
Finance charges	(160 175)	(110 832)	(82 151)	(12 012)
Finance income	66 161	180 080	37 566	16 385
Exchange Losses	(23 616)	(65 808)	(4 148)	(9 126)
Movement in legacy debt	(51 288)	—	(51 288)	—
Monetary loss	(587 821)	(358 251)	—	—
Share of profit of associates	107 855	83 853	34 568	10 800
Profit before tax	1 502 949	1 539 477	1 251 324	181 535
Income tax expense	(410 117)	(427 424)	(213 382)	(38 301)
Profit for the year	1 092 832	1 112 053	1 037 942	143 234
Other comprehensive income	75 755	—	125 380	—
Comprehensive income for the year	1 168 587	1 112 053	1 163 322	143 234
Profit for the year attributable to:				
Owners of the parent	1 287 439	1 092 073	1 165 564	140 661
Non controlling interest	(118 852)	19 980	(2 242)	2 573
	1 168 587	1 112 053	1 163 322	143 234
Weighted average shares in issue (millions)	1 275,5	1 257,5	1 275,5	1 257,5
Earnings per share (ZWL cents)				
Headline earnings basis	94.99	86.84	81.55	11.19
Attributable earnings basis	100.93	86.84	91.38	11.19

Group Statement of Cash Flows

	INFLATION ADJUSTED		HISTORIC COST	
	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000
Cash flow from operating activities				
Operating income	2 151 833	1 810 435	1 316 777	175 488
Depreciation	481 818	286 464	98 695	36 897
Other non-cash items	(2 168 937)	47 690	(601 922)	63 840
Increase in working capital	(997 639)	(138 068)	(470 765)	(17 783)
Cash (utilised in) / generated from operations	(532 925)	2 006 521	342 785	258 442
Finance charges	(160 175)	(90 861)	(82 151)	(11 703)
Finance income	66 161	53 949	37 566	6 949
Income tax paid	(411 796)	(323 754)	(21 712)	(41 700)
Net cash flow from operating activities	(1 038 735)	1 645 855	276 488	211 988
Cash flow from investing activities				
Purchase of fixed assets for maintaining operations	(47 049)	(91 956)	(50 362)	(11 844)
Purchase of fixed assets for expanding operations	(180 507)	(60 046)	(105 592)	(7 734)
(Increase) / decrease in investments and loans	(16 486)	146 243	(74 580)	18 836
Proceeds from disposal of property, plant and equipment	6 418	31 688	6 418	4 081
Net cashflow from investing activities	(237 624)	25 929	(224 116)	3 340
Cash flow from financing activities				
Dividends paid in cash	(532 163)	(1 751 493)	(54 650)	(225 595)
Increase in shareholder funding	24 178	44 219	4 217	5 695
Share buy back	—	(165 091)	—	(21 264)
Increase in long term borrowings	(40 827)	(10 093)	(40 827)	(1 300)
Net cash flow from financing activities	(548 812)	(1 882 458)	(91 260)	(242 463)
Net cash flow generated / (used) in financing activities	(548 812)	(1 882 458)	(91 260)	(242 463)
Net decrease in cash and cash equivalents	(1 825 171)	(210 674)	(38 888)	(27 136)
Cash and cash equivalents at beginning of year	2 050 374	2 261 048	264 091	291 226
Cash and cash equivalents at end of year	225 203	2 050 374	225 203	264 091

Audited Financial Information for the year ended 31 March 2020

Group Statement of Changes in Shareholders' Equity

	INFLATION ADJUSTED		HISTORIC COST	
	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000
Shareholders' equity at beginning of the year	**6 234 381**	3 899 073	**802 997**	502 206
Profit for the year	**1 092 832**	1 112 053	**1 037 942**	143 234
Transactions with Owners:				
Share options exercised	**24 182**	44 215	**4 217**	5 695
Share buy back	—	(165 091)	—	(21 264)
Share allotment	—	414 017	—	53 326
At Acquisition Reserves	—	170 697	—	21 986
Recognition of share based payments	**13 439**	16 522	**5 776**	2 128
Foreign currency translation reserve	**75 752**	75 706	**125 378**	9 751
Recognition of currency change	**(9 807)**	2 311 683	**(1 263)**	297 748
Deferred tax adjustment	**(749 227)**	—	**(63 734)**	—
Adjustment arisisng from changes in non-controlling interest	—	(9 744)	—	(1 255)
Dividends declared:	**(248 991)**	(1 634 750)	**(93 046)**	(210 558)
Shareholders' equity at end of the year	**6 432 561**	6 234 381	**1 818 267**	802 997
Attributable to:				
Owners of the parent	**6 551 413**	5 980 013	**1 794 683**	770 234
Non controlling interest	**(118 852)**	254 368	**23 584**	32 763
	6 432 561	6 234 381	**1 818 267**	802 997

Supplementary Information

	INFLATION ADJUSTED		HISTORIC COST	
	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000	AUDITED Year Ended 31 March 2020 ZWL'000	AUDITED Year Ended 31 March 2019 ZWL'000
1. Revenue				
Gross sales	**9 685 311**	8 953 594	**4 822 988**	841 488
Less VAT and discounts	**(1 253 073)**	(1 269 996)	**(629 728)**	(119 104)
Revenue	**8 432 238**	7 683 598	**4 193 260**	722 384
Less excise duty and levies	**(1 057 130)**	(1 096 198)	**(532 814)**	(103 110)
Net Sales	**7 375 108**	6 587 400	**3 660 446**	619 274
2. Depreciation of property, plant and equipment	**481 818**	286 464	**98 695**	36 897
3. Taxation				
Current income tax expense	**487 355**	431 602	**164 898**	40 964
Withholding tax	**760**	4 125	**197**	362
Deferred tax - Arising during the year	**(77 998)**	(8 303)	**48 288**	(3 025)
	410 117	427 424	**213 383**	38 301
4. Commitments for capital expenditure				
Contracts and orders placed				
Authorised by directors but not contracted	**1 973 391**	1 999 210	**1 973 391**	257 501
	1 973 391	1 999 210	**1 973 391**	257 501

The capital expenditure is to be financed out of the Group's own resources and existing facilities.

5. Reportable segments

	Lager Beer ZWL'000	Sparkling Beverages ZWL'000	Sorghum Beer ZWL'000	Wines and Spirits ZWL'000	Total Reportable Segments ZWL'000	All Other Segments ZWL'000	Total ZWL'000
Inflation Adjusted							
31 March 2020							
Segment revenue	3 385 914	1 252 275	3 185 804	676 369	**8 500 362**	207 279	**8 707 641**
Inter-segment revenue	—	—	(83 821)	—	**(83 821)**	(191 582)	**(275 403)**
External revenue	3 385 914	1 252 275	3 101 983	676 369	**8 416 541**	15 697	**8 432 238**
Segment operating income	908 447	277 639	922 069	252 231	**2 360 386**	(208 553)	**2 151 833**
31 March 2019							
Segment revenue	3 713 587	1 170 170	2 394 246	199 643	**7 477 646**	466 217	**7 943 863**
Inter-segment revenue	—	—	—	—	**—**	(260 265)	**(260 265)**
External revenue	3 713 587	1 170 170	2 394 246	199 643	**7 477 646**	205 952	**7 683 598**
Segment operating income	980 823	31 357	687 206	73 808	**1 773 194**	37 241	**1 810 435**
Historical							
31 March 2020							
Segment revenue	1 692 416	677 536	1 534 109	319 265	**4 223 326**	107 912	**4 331 238**
Inter-segment revenue	—	—	(38 400)	—	**(38 400)**	(99 577)	**(137 977)**
External revenue	1 692 416	677 536	1 495 709	319 265	**4 184 926**	8 335	**4 193 260**
Segment operating income	654 545	207 043	393 280	119 942	**1 374 810**	(58 033)	**1 316 777**
31 March 2019							
Segment revenue	346 329	99 003	251 288	25 714	**722 334**	25 137	**747 471**
Inter-segment revenue	—	—	—	—	**—**	(25 087)	**(25 087)**
External revenue	346 329	99 003	251 288	25 714	**722 334**	50	**722 384**
Segment operating income	94 943	(690)	70 456	9 507	**174 216**	1 272	**175 488**

Supplementary Information (continued)

6. Corporate Information

Delta Corporation Limited (the Company) is a public 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.

These annual financial statements have been prepared under the supervision of M M Valela CA(Z), Executive Director – Finance, a registered Public Accountant, PAAB Number P01063 and have been audited in terms of the Companies and Other Entities Act (Chapter 24:31).

7. Statement of Compliance

The financial statements of the Group and the Company have been compiled adopting principles from International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations besides the issue of non-compliance with IAS21 in the prior year.

The Group and Company did not fully comply with statutory instrument SI33/19 with respect to the 2019 financial statements in order to fairly present the financial statements.

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. They have been prepared under the inflation adjusted accounting basis in line with the provisions of International Accounting Standard (IAS) 29 - 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.

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 CPI indices used for periods prior to 22 February 2019 are in respect of the USD functional currency which was in use at the time.

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

	Index	Conversion Factor
31 March 2020	810,4	1,00
31 March 2019	104,4	7,76
Average March 2020	**382,9**	**3,12**
Average March 2019	**77,2**	**10,92**

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 ZWL currency that was designated as the sole transactional, functional and reporting currency through Statutory Instrument 33 of 2019 (SI33/19) dated 22 February 2019 and Statutory Instrument 142 of 2019 (SI142/19) dated 24 June 2019. In order to fairly present the statement of financial position and reflect the change of currency, the Board re-based the assets and liabilities as at 22 February 2019 at the interbank rate of ZWL2,5 to US$1. Thus, the Group recognised an increase in the net assets amounting to ZWL297.7 million, which was recorded as a functional currency change non-distributable reserve. This represented a departure from the requirements of IAS 21 – The effects of Changes in Foreign Exchange Rates in that the gain was not recognized in the statement of comprehensive income.

11. Legacy Foreign Liabilities

The Group has legacy foreign liabilities of US$63.8 million, being those amounts that were due and payable on 22 February 2019 when the authorities promulgated SI33/2019 which introduced the ZWL currency, as distinct from the US$, as the functional currency. The Group has registered these liabilities with the Reserve Bank of Zimbabwe and transferred to the Reserve Bank the ZWL equivalent of the foreign debts based on the USD/ZWL1:1 exchange rate in line with Directives RU102/2019 and RU28/2019 and as agreed with the Reserve Bank of Zimbabwe. Both the foreign debts and the deposits have been accounted for at the closing exchange rate of at 31 March 2020.

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:

Exchange losses	**(1 642 561)**
Gain on revaluation of financial asset	**1 591 273**
Net Loss	**(51 288)**

An amount of ZWL 1,64 billion was recorded as an unrealised foreign exchange loss relating to the legacy foreign debt amounts of US$63,8 million. In compliance with IFRS, the deposit at the Reserve Bank of Zimbabwe represents a commitment to pay equivalent value in US$ and has therefore been treated as a financial derivative uplifted at closing rate and discounted to Net Present Value of ZWL1,59 billion. The difference between the Net Present Value and the face value of the financial asset of ZWL 51,2 million has been expensed. This unrealised net loss is expected to reverse on settlement of the instrument.

The Board notes that there remains a risk that the policies regarding these liabilities may be varied. Such a change would have a significant impact on both the statement of financial position and the statement of comprehensive income. The divergence of market exchange rates and the fixed 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.

12. Contingencies

12.1 Assessed Taxes

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

Delta Corporation LIMITED

Audited Financial Information | for the year ended 31 March 2020

Supplementary Information (continued)

12. Contingencies (continued)

12.2 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. Of significance are the exchange losses recorded on the change of the functional currency in terms of SI33/19.

13. 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 Board is concerned about the deteriorating operating environment as indicated by hyperinflation, rapid changes to the policy environment, weak local currency and the existence of multiple and disparate exchange rates. The shortages of foreign currency in the formal banking channels has caused delays in settlement of overdue external obligations. The Group has overdue foreign creditors and bank loans as is explained in Note 11.

National Breweries (Plc) Zambia recorded losses in the last two financial years. This is attributed mainly to declining demand following increases in pricing driven by input cost escalation. The unit has recently witnessed a recovery in volume as management implement various business recovery measures. The entity is expected to return to profitability in the near term.

The Coronavirus (COVID-19) pandemic that spread through all countries of the world has materially altered the operating environment and the Group's business prospects. The pandemic will have negative impacts on business operations arising from the restrictions in social and economic activities, heightened safety and health requirements and changes in demand patterns of the Group's products. The severity of the impacts cannot be reasonably estimated at this point in time. The Company will adopt mitigatory measures to minimize the adverse impacts of the pandemic.

The Group's businesses in Zimbabwe and Zambia were allowed to operate, albeit at reduced levels during the lockdowns implemented by the authorities from April 2020. The businesses are adapting their operating models particularly to align product offerings and route to market to available distribution channels and consumption patterns.

14. Subsequent Events

14.1 Acquisition of United National Breweries (Pty) Limited SA

The Company finalized the acquisition of 100% equity in UNB effective 1 April 2020. UNB is the leading brewer of traditional beer and owns the Chibuku brand in South Africa. It is noted that South Africa implemented very strict prohibitions on the sale and consumption of alcoholic beverages during the COVID-19 national lockdown. This will adversely affect most businesses in the sector.

14.2 COVID-19

As noted above the World Health Organisation (WHO)declared COVID-19 as a pandemic in January 2020. The national, regional and global responses that were implemented and may remain in place to counteract COVID-19 have pervasive and negative impacts on the economy and Company's business activities. The first quarter of the current trading year will be significantly subdued owing to the lockdown. Sales volume across the product categories will be depressed as consumers adjust to the new normal.

The Board cannot reasonably estimate the duration and severity of the pandemic at this stage as the COVID-19 pandemic is complex and rapidly evolving. Management have implemented mitigatory measures that will ensure that the Company remains in operation.

15. Audit Opinion

The condensed financial statements have been audited by Deloitte & Touché (Chartered Accountants) Zimbabwe who have issued a qualified opinion with respect to non-compliance with International Accounting Standard 21 "The Effects of changes in Foreign Exchange Rates" as it relates to the opening balances that were translated from a USD functional currency to ZWL as guided by Statutory Instrument 33 of 2019, as well as the incorrect treatment of the Change in Functional Currency Reserve in the prior financial year.

The Report contains a key audit matter in respect of the valuation and accounting treatment of the Group's legacy debts, and is available for inspection at the Company's registered office. The Engagement Partner responsible for the audit was Brian Mabiza.

Chairman's Letter to Shareholders

Dear Shareholder

The trading conditions during the year under review were very difficult particularly in Zimbabwe. The RTGS currency which was introduced in October 2018 was confirmed as the sole transaction currency on 24 June 2019 but was not fully supported by fiscal measures as envisaged under the Transitional Stabilisation Plan. Resultantly, the economy has faced a multitude of headwinds which culminated in reduced consumer disposable income and weak business performance. The authorities responded with a myriad of fiscal and monetary policy refinements that in some cases fueled the meltdown.

The advent of the novel Coronavirus (COVID-19) pandemic at the tail end of the financial year, has completely changed the social, economic and health outlook of the world and the country as we have known it. The way people live, socialise and interact has changed so fundamentally that it is doubtful whether nation states, societies and communities will ever revert to yesterday's norms and conventions.

As is the case globally, Zimbabwe has experienced adverse effects of the pandemic following the implementation of various levels of lockdowns since 30 March 2020. These measures have reduced economic activity and exacerbated the already precarious economic situation. The authorities have announced some policy interventions to support vulnerable members of society and business enterprises impacted by the knock-on effects of managing this public health emergency. The monetary authorities have allowed the use of foreign currency for domestic transactions. This should facilitate trading, mitigate some of the effects of an unstable currency and the associated hyperinflation.

The Board and management remain focused on ensuring the health and safety of our employees and stakeholders in the value chain as we serve our customers and consumers in the midst of the pandemic. To this end, new protocols governing "The COVID-19 Way of Work" have been rolled out to all operating centres.

The financial results were achieved under the hyperinflationary conditions. The Board is concerned about the erosion of capital that occurs under these hyperinflationary conditions and will endeavor to avoid the experiences of the 2005/8 period.

Compliance with IFRS and the Legacy Debt Settlement

Whilst the company strives to comply with IFRS at all times, it is acknowledged that the peculiarities of the policy and economic environment in Zimbabwe makes it difficult to achieve full compliance and fair reporting at the same time.

As is more detailed in the notes to the financial statements, the Company owes US$63,8 million in foreign creditors and bank loans which were in existence when the country adopted a mono currency in early 2019. The Company entered into arrangements with the Reserve Bank of Zimbabwe as supported by the monetary authority regulations and guidelines for a systematic redemption of this liability. A total of approximately US$10 million was paid during the year in line with these arrangements. The Board remains anxious to see the end of this foreign currency exposure and notes the difficulties of accounting for the same to achieve fair reporting while complying with IFRS.

The auditors passed an adverse opinion on the 2019 financial statements as these did not comply with International Accounting Standard 21 (IAS 21). This has resulted in a qualified audit opinion on the 2020 financial statements, with respect to opening balances. These issues are fully discussed in the notes to the financial statements.

Trading Performance

The trading environment has been turbulent particularly due to hyperinflation, an unstable exchange rate, limited availability of foreign currency in the formal banking channels and the drought induced shortages of brewing materials. The supply of fuel and key utilities such as water and electricity continued to be erratic, thereby disrupting production and distribution operations. The prevalence of multiple exchange rates distorted operating costs and product pricing. The debasing of incomes as part of the Transitional Stabilisation Plan led to a collapse of demand across all beverage categories. Household incomes continue to be eroded by hyperinflation.

The fourth quarter was severely impacted by the restrictions to human and economic activity in response to the advent of the novel coronavirus (COVID-19) pandemic.

Lager Beer

Lager beer volume was down 42% on last year. There was a prioritisation of returnable bottle packs in an effort to conserve foreign currency and offer the more affordable packs to the consumer. It is noted that the circulation of returnable containers is slowed down during hyperinflation as traders hold them as a store of value.

The premium category led by Zambezi Lager remains resilient as it held its proportionate share of the reduced volume.

Sorghum Beer (Zimbabwe)

Sorghum beer dropped 25% on last year. The pricing of the category was driven by the escalation in the cost of imported inputs such as packaging and brewing cereals. In line with our strategy, Chibuku Super remains the largest contributor to volume.

Sparkling Beverages

Sparkling beverages volume declined by 17% compared to last year. This was on the back of an equally softer last year. The performance of the category was affected by foreign currency shortages, utility challenges especially water supply and reduced consumer spend. The business continues to work collaboratively with The Coca-Cola Company in order to maintain consistent product supply. The introduction of the "without sugar" variants was a major highlight of the year.

National Breweries (Zambia)

Sorghum beer volume declined by 27% on last year. There are ongoing measures to reverse the volume loss to other alcoholic beverage categories and return the business to profitability.

African Distillers

The company continued to be dominant in its various product categories thus delivering pleasing results. Foreign currency shortages constrained the entity's growth potential. The entity continued to innovate and successfully launch products that require less foreign currency.

Associate Entities

Schweppes Holdings Africa

The company recorded a volume loss for the year although its products continued to dominate the dilutable soft drinks category. The entity continued to expand its value-added products from the agricultural processing division. Foreign currency shortages adversely impacted the supply of key brands while the deteriorating foreign exchange rates put pressure on pricing and costs.

Nampak Zimbabwe Limited

The overall demand for the company's products remained subdued, reflecting the reduced spending on most packaged consumer goods.

Financial Performance

In historical cost numbers, the Group reported revenue of ZWL4,2 billion to achieve a 480% growth on the comparative year. The revenue growth was driven by inflation induced pricing across all product categories. Earnings before interest and tax grew by 650% over last year. The net finance cost of ZWL100 million is a result of foreign exchange losses and low deposit interest rates. The Company closed the year with a net borrowing of ZWL1,07 billion. The Group foreign currency exposure from legacy debt arrangement remains at US$63,8 million. These are matched by a financial instrument of ZWL1,59 billion as is explained in detail on note 11. Capital expenditure of ZWL156 million was below planned replacement levels due to forex constraints.

In inflation adjusted terms, revenue increased by 10% over prior year whilst operating income increased by 19%.

The business started the year with significant monetary assets which were debased by policy changes at the beginning of the year. This and the cumulative effect of hyperinflation and a fast depreciating exchange rate is reflected in the monetary loss reported under inflation adjusted numbers.

Acquisition of United National Breweries (Pty) Limited SA

The Company finalised the acquisition of 100% equity in UNB effective 1 April 2020. UNB is the leading brewer of traditional beer and owns the Chibuku brand in South Africa. It is noted that South Africa has implemented very strict prohibitions on the sale and consumption of alcohol during the Covid-19 national lockdown. The transaction was completed as the lockdown was being implemented.

The Coca-Cola Bottler's Agreement

As previously reported, The Coca Cola Company renewed the bottler agreements with group entities. The Board appreciates the support being extended by The Coca Cola Company in our joint efforts to restore volume, improve affordability and reduce supply disruptions.

Directorate

The Board pays tribute to Mr T N Sibanda who retired from the board on 31 December 2019. Mr Sibanda served the Group with distinction since joining the Board in 1994. He also served as chair of the Audit Committee.

Outlook

The fortunes of the country and the Group in the coming year will largely be dependent on how Zimbabwe manages and contains the COVID-19 pandemic and the ramp up plan directed at reopening the country and economy. The first quarter of the trading year will be significantly subdued owing to the effects of lockdown on business and the lag that will follow as the economy is gradually reopened and new or modified consumption patterns are established.

The Group will continue placing the safety and health of its workers and stakeholders first, abiding by best practice and as pronounced by the authorities while seeking to defend its capital base and achieve modest profitability under the circumstances. However, all this is dependent on the unknown and unprecedented risky way forward.

Deferral of Final Dividend

The Board declared an interim dividend of ZWL6,75 cents during the year. The declaration of the final dividend has been deferred due to the uncertainties arising from the Coronavirus pandemic and measures implemented to mitigate its spread. The Board will re-assess the implications of the COVID-19 lockdowns on the business after the first quarter of the current financial year.

For and on behalf of the Board

CF Dube
Chairman
28 May 2020