Delta Corporation LIMITED

Brighter together

Unaudited Financial Information

for the six months period ended 30 September 2024

Key Highlights

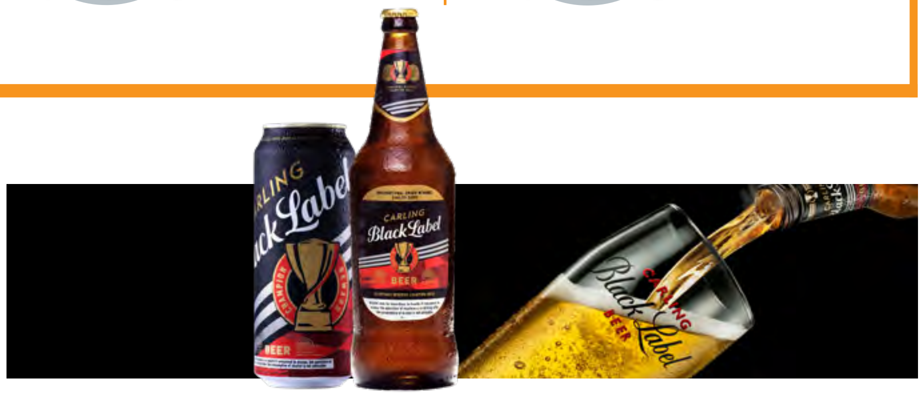
	Six Months Period Ended 30 September 2024 US$ 000	Six Months Period Ended 30 September 2023 US$ 000
Revenue	**389 124**	350 601
Operating Income	**64 839**	73 487
Earnings before interest, tax, depreciation and ammortisation	**74 406**	78 628
Profit before tax	**55 777**	34 161
Attributable earnings per share (US$ Cents)	**3.37**	1.66
Headline Earnings per share (US$ Cents)	**3.37**	1.66

Lager Beer Volume

↑9%

Sparkling Beverages Volume

↑10%



Condensed Group Statement of Financial Position

	Note	Unaudited As At 30 September 2024 US$ 000	Audited As At 31 March 2024 US$ 000
ASSETS			
Non-current assets			
Property, plant and equipment		**148 810**	134 079
Right-of-use asset		**4 132**	4 411
Investments in associates		**15 166**	12 325
Intangible assets – Trademarks and Goodwill		**26 473**	24 411
Deferred tax asset		**357**	1 923
Investments and loans		**7 216**	5 225
Financial assets at amortised cost	12	**8 982**	8 830
		211 136	**191 204**
Current assets			
Inventories		**107 789**	107 591
Trade and other receivables		**38 713**	50 236
Other assets - prepayments		**38 705**	27 576
Current tax asset		**760**	440
Cash and cash equivalents		**17 680**	26 410
		203 647	**212 253**
Total Assets		**414 783**	**403 457**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital		**994**	994
Share premium		**6 811**	6 800
Share option reserve		**546**	275
Share buyback		**(4 784)**	(4 784)
Foreign currency translation reserve		**37 374**	40 570
Retained earnings		**200 135**	182 055
Adjustment arising from change in non controlling interest		**(603)**	(668)
Equity attributed to equity holders of the parent		**240 473**	225 242
Non-controlling interests		**(9 740)**	(3 060)
Shareholders' equity		**230 733**	222 182
Non-current liabilities			
Long term borrowings	13	**997**	1 381
Long term lease liability		**4 008**	2 869
Deferred tax liabilities		**2 357**	1 481
		7 362	**5 731**
Current liabilities			
Short term borrowings	13	**21 179**	18 253
Short term lease liability		**988**	1 186
Trade and other payables		**110 338**	119 198
Provisions		**35 335**	31 811
Current tax liability		**8 848**	5 096
		176 688	175 544
Total equity and liabilities		**414 783**	403 457
Net asset value per share (cents)		**18.21**	17.27

Condensed Group Statement of Profit or Loss and Other Comprehensive Income

	Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
Revenue	**389 124**	350 601
Net Operating Costs	**(324 285)**	(277 114)
Operating Income	**64 839**	73 487
Finance costs	**(1 608)**	(1 161)
Finance income	**242**	47
Net exchange losses	**(10 537)**	(32 810)
Net monetary adjustment	**—**	(8 995)
Share of profit of associates	**2 841**	3 593
Profit before tax	**55 777**	34 161
Income tax expense	**(14 724)**	(12 027)
Profit for the period	**41 053**	22 134
Attributable to:		
Owners of the parent	**44 376**	21 726
Non controlling interest	**(3 323)**	408
Total profit for the period	**41 053**	22 134
Other comprehensive income for the period		
Foreign currency translation adjustment	**(6 120)**	19 471
Foreign exchange impact of translating to presentation currency	**—**	(106 241)
Total other comprehensive loss for the period	**(6 120)**	(86 770)
Total comprehensive income/(loss) for the period	**34 933**	(64 636)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the parent	**38 256**	(61 603)
Non controlling interest	**(3 323)**	(3 033)
	34 933	(64 636)
Weighted average shares in issue (millions)	**1,317.4**	1,308.7
Earnings per share (US$ Cents)		
Headline earnings	**3.37**	1.66
Basic earnings	**3.37**	1.66
Diluted earnings	**3.32**	1.63

Note: The consolidated statement of comprehensive income for the six months ended 30 September 2023 was previously reported in ZW$. This was restated by converting to the Group's new presentation currency, US$. Refer to note 9 for details of the change in presentation currency.

Condensed Group Statement of Cashflows

	Note	Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
Cash flow from operating activities			
Cash generated from operating activities	14	**71 612**	43 421
(Increase) / decrease in working capital		**(14 721)**	16 907
Cash generated from operation		**56 891**	60 328
Interest received		**90**	47
Interest paid		**(1 318)**	(937)
Interest paid on lease liability		**(290)**	(224)
Income tax paid		**(8 902)**	(10 865)
Cash generated from operating activities		**46 471**	48 349
Cash flow from investment activities			
Additions in investments and loans*		**(3 363)**	(2 608)
Repayments of investments and loans*		**1 456**	435
Purchase of property, plant and equipment to expand operations		**(14 548)**	(26 368)
Purchase of property, plant and equipment to mantain operations		**(6 927)**	(5 935)
Proceeds on disposal of property, plant and equipment		**18**	8
Net cash utilised in investing activities		**(23 364)**	(34 468)
Cash flow from financing activities			
Dividends paid by company		**(26 289)**	(29 569)
Dividends paid by subsidiaries		**(348)**	(378)
Purchase of shares in subsidiary		**(23)**	—
Repayment of lease liability		**(629)**	(749)
Loans raised		**12 278**	15 958
Repayment of borrowings		**(3 250)**	(15 466)
Net cash utilised in financing activities		**(18 261)**	(30 204)
Increase / (Decrease) in cash and cash equivalents		**4 846**	(16 323)
Effects of currency translation on cash and cash equivalents		**(6 931)**	6 851
Effects of currency translation on cash and cash equivalents - foreign operations		**(21)**	452
Foreign exchange impact of translating to presentation currency on opening cash and cash equivalents		**—**	(6 191)
Effects of IAS 29 on cash and cash equivalents		**—**	7 286
Net decrease in cash and cash equivalents		**(2 106)**	(7 925)
Cash and cash equivalents at beginning of period		**9 665**	14 093
Cash and cash equivalents at end of period		**7 559**	6 168
Comprising:-			
Bank balances and cash		**17 680**	9 005
Bank overdraft		**(10 121)**	(2 837)
		7 559	6 168

* Increase in investments has been split to show separately repayments and additions.

Note: The consolidated statement of cashflows for the six months ended 30 September 2023 was previously reported in ZW$. This was restated by converting to the Group's new presentation currency, US$. Refer to note 9 for details of the change in presentation currency.

Condensed Group Statement of Changes in Shareholders' Equity

	Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
Shareholders' equity at beginning of the period	**222 182**	239 544
Profit for the period	**41 053**	22 134
Other comprehensive loss for the period	**(6 120)**	(86 770)
Transactions with Owners:		
Recognition of share based payments	**281**	311
Adjustment arising from changes in ownership of subsidiary	**(26)**	—
Dividends paid	**(26 637)**	(20 849)
Shareholders' equity at end of the period	**230 733**	154 370
Attributable to:		
Owners of the parent	**240 473**	158 323
Non controlling interest	**(9 740)**	(3 953)
Shareholders' equity at end of the period	**230 733**	154 370

Note: The consolidated statement of changes in equity for the six months ended 30 September 2023 was previously reported in ZW$. This was restated by converting to the Group's new presentation currency, US$. Refer to note 9 for details of the change in presentation currency.

Supplementary Information

	Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
1. Revenue		
Gross Sales	**453 952**	409 285
Less VAT and discounts	**(64 828)**	(58 684)
Revenue*	**389 124**	350 601
Less excise duty, surtax and levies	**(50 727)**	(35 568)
Net Sales	**338 397**	315 033

*** Refer to note 5 for revenue disaggregation.**

Supplementary Information (continued)

	Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
3. Taxation		
Current income tax expense	**12 334**	5 705
Deferred tax - Arising during the period	**2 390**	6 322
	14 724	12 027
4. Commitments for property, plant and equipment		
Contracts and orders placed	**11 468**	37 707
Authorised by directors but not contracted	**49 764**	55 904
	61 232	93 611

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

5. Reportable Segments

The distinct operating segments for the Group are shown in the table below:

Reportable Segments	Operations
Lager Beer division	Manufacture and distribution of lager beer(malt and sorghum based clear beers)
Sparkling Beverages division	Manufacture and distribution of carbonated soft drinks and alternative non-alcoholic beverages.
Sorghum Beer division	Manufacture and distribution of sorghum based opaque beer.
Wines and Spirits	Manufacture and distribution of wines and spirits.

Other operations include barley and sorghum malting and provision of transport services, which are functional departments for the above mentioned divisions. None of these segments met the quantitative thresholds for reportabale segments in 2024 nor 2023.

Information about reportable segements

Information related to each reportable segment is set out below. Segment operating income is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entitities that operate in the same industries.

	Lager Beer US$ 000	Sparkling Beverages US$ 000	Sorghum Beer US$ 000	Wines and Spirits US$ 000	Total Reportable Segments US$ 000	All other segments and intersegment eliminations US$ 000	Total US$ 000
30 September 2024							
Segment revenue	168 477	74 888	118 570	26 169	**388 104**	14 692	**402 796**
Inter-segment revenue	—	—	—	—	**—**	(13 672)	**(13 672)**
External revenue	168 477	74 888	118 570	26 169	**388 104**	1 020	**389 124**
Segment operating income	46 462	5 524	2 448	1 466	**55 900**	8 939	**64 839**
Segment net working capital*	(21 910)	20 407	161	10 107	**8 765**	26 282	**35 047**
Segment working capital liabilities**	(61 093)	(35 289)	(46 693)	(11 082)	**(154 157)**	(26 256)	**(180 413)**
Segment working capital assets***	39 183	55 696	46 854	21 189	**162 922**	52 538	**215 460**
Segment property, plant and equipment	39 635	30 606	60 200	3 902	**134 343**	14 467	**148 810**
Non-current assets additions	7 880	3 910	6 391	364	**18 545**	2 930	**21 475**
Segment depreciation	(3 202)	(1 957)	(1 704)	(199)	**(7 062)**	(2 080)	**(9 142)**

	Lager Beer US$ 000	Sparkling Beverages US$ 000	Sorghum Beer US$ 000	Wines and Spirits US$ 000	Total Reportable Segments US$ 000	All other segments and intersegment eliminations US$ 000	Total US$ 000
Restated 30 September 2023							
Segment revenue	148 144	56 626	121 306	24 364	**350 440**	12 659	**363 099**
Inter-segment revenue	—	—	—	—	**—**	(12 498)	**(12 498)**
Segment revenue	148 144	56 626	121 306	24 364	**350 440**	161	**350 601**
Segment operating income	41 522	5 182	16 437	4 966	**68 107**	5 380	**73 487**
Segment depreciation	(1 998)	(465)	(1 090)	(145)	**(3 698)**	(1 381)	**(5 079)**
31 March 2024							
Segment net working capital*	(15 781)	7 826	11 902	9 785	**13 732**	27 633	**41 365**
Segment working capital liabilities**	(54 983)	(39 264)	37 409)	(9 515)	**(141 171)**	(29 277)	**(170 448)**
Segment working capital assets***	39 202	47 090	49 311	19 300	**154 903**	56 910	**211 813**
Segment property, plant and equipment	35 444	27 858	54 336	3 737	**121 375**	12 704	**134 079**
Non-current assets additions	18 295	4 280	18 377	1 776	**42 728**	5 370	**48 098**

* Net working capital comprises of cash and cash equivalents, receivables, inventories, payables excluding current tax asset and liability.

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

*** Included are inventories, trade and other receivables, other assets - prepayments and cash and cash equivalents.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment operating income represents segment income before 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.

Supplementary Information (continued)

5. Reportable segments (continued)

Reconciliations of information on reportable segments to IFRS measures (continued)

		Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
i)	**Revenue**		
	Total revenue for reportable segments	**388 104**	350 440
	Revenue for other segments	**14 692**	12 659
	Elimination of inter-segment revenue	**(13 672)**	(12 498)
	Consolidated revenue	**389 124**	350 601
ii)	**Operating income**		
	Total operating income for reportable segments	**55 900**	68 107
	Operating income for other segments	**8 939**	5 380
	- Finance income	**242**	47
	- Finance cost	**(1 608)**	(1 161)
	- Share of profit of equity-accounted investees	**2 841**	3 593
	- Net exchange losses	**(10 537)**	(32 810)
	- Net monetary adjustment	**—**	(8 995)
	Consolidated profit before tax	**55 777**	34 161
iii)	**Assets**		
	Total working capital assets for reportable segments	**162 922**	154 903
	Working capital assets for other segments	**52 538**	56 910
	Total property, plant and equipment for reportable segments	**134 343**	121 375
	Property, plant and equipment for other segments	**14 467**	12 704
	Intangible assets	**26 473**	24 411
	Right-of-use asset	**4 132**	4 411
	Investment in associates	**15 166**	12 325
	Deferred tax asset	**357**	1 923
	Investments and loans	**7 216**	5 225
	Financial asset at armotised cost	**8 982**	8 830
	Current tax asset	**760**	440
	Consolidated total assets	**427 356**	403 457
iv)	**Liabilities**		
	Total trade and other payables for reportable segments	**154 157**	141 171
	Trade and other payables for other segments	**26 256**	29 277
	Total long-term borrowings for reportable segments	**997**	—
	Total long-term lease liability for reportable segments	**3 057**	3 521
	Long-term lease liability for other segments	**951**	729
	Total deferred tax liabilities for reportable segments	**572**	1 481
	Deferred tax liabilities for other segments	**1 785**	—
	Current tax liability	**8 848**	5 096
	Consolidated total liabilities	**196 623**	181 275

6. Corporate Information

Delta Corporation Limited (the Company) is a public limited liability company that 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 some value-added activities related thereto.

These unaudited abridged consolidated interim financial statements and financial information have been prepared under the supervision of Mr Alex Makamure FCA(Z), Executive Director – Finance, registered Public Accountant, PAAB Number 0318.

7. Statement of Compliance

The abridged consolidated interim financial information has been prepared in accordance with (IAS) 34 - Interim Financial Reporting.The abridged consolidated interim unaudited financial statements of the Group have been compiled adopting principles from (IFRS)® Accounting Standards as issued by the International Accounting Standards Board (IASB), the IFRIC® Interpretations and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations.

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 provisions relating to 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 concerning converting transactions and operations conducted in foreign currencies.

The comparative information for the Condensed Group Statement of Profit or Loss and Other Comprehensive Income, the Condensed Group Statement of Cash Flows, the Condensed Group Statement of Changes in Shareholders' Equity and related Supplementary Information have been restated to reflect a change in the presentation currency for the Group, as stipulated by IAS 21 – The Effects of Foreign Exchange Rates following the change in functional currency for the Zimbabwe operations with effect from 1 October 2023.

8. Material Accounting Policy Information

The abridged unaudited consolidated interim financial information has been compiled in accordance with the accounting policies used in the Group's previous and most recent audited annual financial statements for the year ended 31 March 2024 and adheres to applicable amendments to IFRS, except the modifications related to the change in presentation currency outlined in note 10.

9. Basis of Preparation and Presentation

9. 1 Basis of Preparation

The abridged unaudited consolidated financial information is presented in United States Dollars (US$). The functional currency for the Group during the half year ended 30 September 2024 is US$. The comparative financial information for the six months ended 30 September 2023 was initially prepared in ZW$ under the inflation-adjusted accounting basis in line with the provisions of International Accounting Standard (IAS 29) – Financial Reporting in Hyperinflationary Economies and converted to US$ using the spot rate as at 30 September 2023. The historical cost information was, therefore, restated for changes in the general purchasing power of the Zimbabwe Dollar and appropriate adjustments and reclassifications made. The functional currency for the Zimbabwe operations changed beginning 1 October 2023 from ZW$ to US$ and the Group's consolidated financial statements have since been prepared based on the statutory records that are maintained under the historical cost basis.

9. Basis of Preparation and Presentation (continued)

9. 1 Basis of Preparation (continued)

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

	Index	Conversion Factor
30 September 2023	**44,720.87**	1
31 March 2023	**14,500.86**	3.08
Average CPI for the 6 months to 30 September 2023	**35,151.69**	1.56

9.2 Exchange rates used on the conversion of prior year financial information.

According to IAS 21, "The Effects of Changes in Foreign Exchange Rates," entities operating in hyperinflationary economies must translate their previously reported inflation-adjusted financial statements using the exchange rate at the last reporting date when changing their presentation currency.

Since 2020, the legal framework in Zimbabwe permitted the use of foreign currencies for domestic transactions, with foreign currency trading on the Auction Trading System and the Willing Buyer Willing Seller framework by the Monetary Authorities. There have been marked disparities between official and market exchange rates applied by economic actors. Businesses also relied on foreign currency from domestic sales. IAS 21 requires determining the spot exchange rate based on the economic environment, allowing for an estimation where there is a lack of exchangeability and resulting in differentials in the determination of fair values. Further details on our estimations are disclosed on note 10.

The exchange rates used to convert the financial information are as follows:

Period Ending	Exchange Rate used
30 September 2023	5 500
31 March 2023	1 000

10. Cautionary note on the use of financial information

The Directors advise users to exercise caution when analyzing the financial information against the comparatives due to impacts of hyperinflation, and the fluctuations and disparities in exchange rates. These disparities impact the reliability of the comparative financial information, as the prior period's performance comprises inflation-adjusted data converted to US$ using the closing estimated exchange rate, while current period financial performance is based on the US$ functional currency-derived numbers. Although the conversion of the prior period inflation-adjusted ZW$ figures into US$ was mathematically accurate, the resultant financial information may not reflect the underlying business performance. At 30 September 2024 the Group used an exchange rate of US$1: ZWG22 and the Group's average exchange rate for the six months period ended 30 September 2024 was US$1: ZWG15.39.

11. Contingencies

11.1 Uncertain Tax Positions

As previously reported as at 31 March 2024, there were certain areas of disagreement regarding the currency of payment for certain taxes and the methods of splitting the taxes by currency for the period 2019 to 2021. The Zimbabwe Revenue Authority (ZIMRA) issued additional income tax and value-added tax assessments, including penalties and interest against Group entities amounting to US$54,7 million. ZIMRA contends that these amounts should have been paid exclusively in foreign currency and the amounts originally paid to be refunded in the debased nominal values. Whilst the recent court judgments in our case and other similar cases support ZIMRA's position on the matter, there are significant legal and factual issues still to be addressed. ZIMRA is empowered to collect any taxes it deems due under the "pay now, argue later" principle. The Group had accumulated payments amounting to US$8.5 million as of 30 September 2024 in line with this principle and as per agreed payment plans. We believe any revisions to the payment plan will be rational, taking into account the financial health of the business and the fact that the principal amounts were fully paid in legal tender at the relevant periods, based on the best available interpretation of the legislation. There are also engagements with authorities on trading off some financial instruments that could offset part of the final amount that becomes payable.

There are still areas that require clarity and adjustment in the assessments raised. While appealing certain areas of the assessments and the judgments, with guidance from tax experts and legal counsel, management continues to engage with ZIMRA and the government to find a workable solution that recognises the social contract among stakeholders. These assessments have a material impact on the Group's operations, if they materialise as per the extant assessments. At this stage, the Board cannot estimate the likely outcome or timing of the resolution of these matters. An assessment will also be made on whether to change the accounting treatment of the assessments and the amounts paid so far.

Similarly, Natbrew 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.

	Unaudited As At 30 September 2024 US$ 000	Audited As At 31 March 2024 US$ 000
12. Financial Instruments		
12.1 Financial Asset - Amortised cost		
Opening balance	**8 830**	1 435
Foreign exchange impact of translating to presentation currency	**—**	(630)
Additions	**—**	5 056
Interest income	**152**	3 513
IAS 29 Impact	**—**	(544)
	8 982	8 830

Treasury bills disclosed above represents the treasury bid component received from the Reserve Bank of Zimbabwe in settlement of the legacy debt. These are carried at 0% coupon, and have a tenure of 3 - 20 years. The amortised cost approximates the fair value. As they are issued by the government, the rate of default is nil, resulting in nil expected credit losses.

The Group measures these bills at amortised cost. Management used the discounted cash flow method. The treasury bills are discounted using an effective interest rate of 7.5% (2023: 10%). The interest rate was adopted from market-quoted prices of other US$-denominated Treasury Bills that have not yet matured. All facilities were assumed to be held to maturity. The rate was considered prudent given that the yield on 20-year US Treasury Bonds is 4.45%.

12.2 Fair Value of Financial Instruments

The estimated net fair values of all financial instruments approximate the carrying amounts shown in the financial statements.

Supplementary Information (continued)

12. Financial Instruments (continued)

12.2 Fair Value of Financial Instruments (continued)

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.

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.

	Unaudited As at 30 September 2024 US$ 000	Audited As at 31 March 2024 US$ 000
13. Borrowings		
13.1 Movements in Long Term Borrowings		
Balance at beginning of period	1 381	952
Foreign exchange impact of translating to presentation currency	—	(269)
Additions	—	1 584
Translation differences	138	(223)
(Transfer to)/from short-term loan	(522)	(869)
Effects of IAS 29	—	206
Balance at end of period	**997**	1 381
13.2 Movements in Short Term Borrowings		
Balance at beginning of period	1 508	5 163
Foreign exchange impact of translating to presentation currency	—	(2 669)
Translation differences to foreign balances	—	1 179
Transfer to / from long-term loan	522	869
Loans raised excluding overdraft	12 278	15 958
Repayment of capital	(3 250)	(18 544)
Repayment of interest	(140)	(736)
Interest	140	736
Effects of IAS 29	—	(4 689)
Revaluation	—	4 241
Balance at end of period	**11 058**	1 508
Overdraft	10 121	16 745
Total short-term borrowings	**21 179**	18 253

The weighted average rate applied for loans within Zimbabwe was 7.5%, UNB South Africa 13% and Natbrew Zambia 19.5%.

	Unaudited Six Months Period Ended 30 September 2024 US$ 000	Unaudited Restated Six Months Period Ended 30 September 2023 US$ 000
14. Cash generated from operating activities		
Profit before tax	55 777	34 161
Depreciation of property, plant and equipment, right of use and container amortisation	9 567	5 141
Loss on disposal of property, plant and equipment	30	—
Share option expense	281	311
Finance costs	1 608	1 161
Finance income	(242)	(47)
Unrealised exchange losses/(gain)	2 439	(3 137)
Share of profit of associates	(2 841)	(3 593)
Stock losses/ (gains)	3 260	(4 730)
Monetary loss	—	9 112
Provision for expected credit losses	417	339
Container losses	1 621	4 563
Other non cash items	(305)	140
	71 612	43 421

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.

Despite the effects of the drought's negative impact on the volume throughput for the Sorghum Businesses, consumer spending continues to be strongly driven by mining and infrastructure development projects. The business has grown volume on the Lager, Sparkling, and Wines business units during the period. Management constantly reviews the business risks and the business continuity plans to maintain operations at sustainable levels; competitive product pricing, cost reduction initiatives, and adapting sourcing strategies as necessary. Management will continue to realign the marketing, route to market, and business operations in general, for sustainability.

Natbrew Zambia and United National Breweries South Africa have 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.

16. Impairment

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

17. Subsequent Events

There were no material subsequent events affecting the half year financial information for the half year ended 30 September 2024.

Chairman's Letter to Shareholders

Dear Shareholder

Overview of The Operating Environment

The operating environment during the half year under review was impacted by the following key developments:

The introduction of Zimbabwe Gold (ZiG) in April 2024

Whilst the exchange rate was stable in the first quarter, it depreciated sharply on the parallel market in the second quarter. This led to pricing distortions in the formal markets, which resulted in reduced inflows of foreign currency from trading and banking channels. The ZiG was devalued at the end of the period under review, which has ameliorated the pricing disparities.

Route To Market Policies

There were disruptions to trading in the formal sector arising from the route to market policies and taxes introduced through the 2024 National Budget. This was compounded by the price hikes resulting from the sugar content surtax on beverages, which attracted imports from regional markets.

Pressure on disposable income

Aggregate demand and consumer spending have been affected by the lower mineral prices and the reduced agricultural output due to the drought. The country is relying on imported maize. The 2024 tobacco output was reported to have declined by over 20% in volume and value terms. The drought has also resulted in low water inflows into Kariba Dam, limiting the amount of water available to the hydro-electric power station.

Constrained market access

There were significant challenges in accessing certain markets, particularly in Harare, due to traffic congestion during the road upgrades undertaken ahead of the SADC summit held in August 2024. The ongoing infrastructure projects are expected to spur economic growth in the long-term.

Consumer spending remains resilient, despite the numerous challenges, driven by increased mining activities for some minerals, the expansionary effect of the government infrastructure projects and the steady flow of diaspora remittances.

South Africa held general elections in May 2024 which resulted in the formation of a Government of National Unity as the African National Congress failed to secure a majority in the National Assembly and several provincial assemblies. The Rand has responded favourably by appreciating from around ZAR19/US$ to ZAR17.5/US$ during the period under review. Electricity supply disruptions have reduced considerably but the country faces new challenges on water supply in key urban centres such as Gauteng and Western Cape, elevated inflation levels and high unemployment.

Zambia continues to face severe challenges arising from the drought, lower copper prices and currency volatility. Power supply disruptions have escalated due to the reduced hydro-electricity generation, which also affects water supply. The business has also been affected by the impact of high cost of imported materials due to a weaker Zambian Kwacha and removal of subsidies on the staple maize, which has affected household incomes.

Trading Performance

Lager Beer

The Lager beer volume grew by 9% over prior year for the half year as demand remained firm and benefitted from the consistent supply of brands and packs. There were some disruptions to supply arising from increased water and power outages as well as an unavoidable maintenance shutdown at Belmont Brewery.

Our brands remain active in market, through sponsorships of sport and arts such as the Castle Lager Premier Soccer League, the Castle Tankard and other brand properties. We are focussed on driving the category against competition from alternative forms of alcohol particularly the lower end spirits.

Sorghum Beer

The sorghum beer volume in Zimbabwe declined by 11% compared to prior year, primarily due to the cessation of exports, with domestic volume declining by 3%. The sorghum beer category is most vulnerable to the impact of the drought due to reduced disposable incomes in rural markets and cost pressures on key cereals such as maize and sorghum. In addition there were significant disruptions arising from the route to market policies and the inconsistent account management practices by retail and wholesale partners. The sector has become more competitive and is under pressure from other alcohol categories such as hard spirits and lager beer.

The Chibuku brand continues its association with sports, arts and culture which cultivate brand love.

In South Africa, the volume at United National Breweries declined by 8% compared to the first half of prior year. The new Chibuku Super Plant at Phelindaba brewery was commissioned in May 2024 which allowed the business to transition to self-reliance on Chibuku Super variants. However, operations at the main Phelindaba brewery were disrupted by a prolonged illegal job action, which limited product supply and dented the sales momentum. The focus remains on increasing the penetration of Chibuku Super into new trade channels and recruiting new consumers.

Volume at Natbrew Zambia declined significantly in the second quarter due to disruptive power load shedding by ZESCO, which impacted product supply. The volume for the half year was 20% below prior year comparative period. The manufacturing platform has been stabilised following the installation of diesel generators and boreholes, although gaps remain in the value chain resulting from varied responses to the power supply challenges and funding issues. Operating margins remain under pressure due to the high cost of maize and the depreciation of the Zambian Kwacha.

Sparkling Beverages

The Sparkling Beverages volume grew by 10% for the half year which reflected a recovery in market share and the benefit from a delayed implementation of the sugar tax-induced price increases as well as intense marketing campaigns. The Company took the painful decision to absorb part of the sugar tax in the short-term, in anticipation of the much needed reduction in the tax level. Generally, the sector's competitiveness has been affected by the relatively high sugar tax, leading to an increase in imports of similar offerings from neighbouring countries. Pricing distortions in the formal channels have re-emerged, reflecting the exchange rate disparities and the tax concessions granted to some competitors.

There are ongoing strategic interventions to support low and zero sugar offerings and availing packs at more accessible price points.

Wines and Spirits

African Distillers (Afdis) recorded a volume growth of 11% compared to prior year mainly driven by Ready to drink (RTD) and Wine segments which grew by 22% and 13% respectively. The RTD volume growth was driven by sales promotions and the successful launch of a new product, NightSky Gin & Tonic which was well received by the market. The Wine category benefitted from improved supply of affordable wines and wider market access through direct distribution. However, the widespread distribution of cheaper and illicit spirits has curtailed growth of the category.

Chairman's Letter to Shareholders (continued)

Trading Performance (continued)

Schweppes Holdings Africa

Schweppes Holdings Africa Limited recorded a volume decline of 9% for the six months, primarily due to significant price increases, driven by the sugar tax, which is particularly punitive for cordials. The business was also weighed down by a surge in imports of the flagship Mazoe Orange Crush from regional markets driven by the price disparity created by the sugar tax. Volume was also impacted by disruptions in the route to market arising from the fiscal regulations. On a positive note, there was a notable recovery in juice drinks and bottled water volume following the installation of the new plant in October 2023.

Nampak Zimbabwe Limited

Nampak Zimbabwe volume for the year to September was marginally above prior year. The depressed tobacco crop in 2024 compared to the record crop in 2023 which affected business at Hunyani and the dampening of sales of packaging materials to the soft drink business following the introduction of sugar tax and increase of VAT on Maheu also negatively impacted volume. The focus is to increase capacity in growth sectors and contain losses to competitors in the PET packaging sector.

The Board has taken note of Nampak Limited's disinvestment through the sale of its entire shareholding to TSL Limited. We will engage the new shareholder to align on business strategy with a focus on safeguarding the supply chain for key packaging materials.

Financial Performance

The financial results are presented in the US Dollar currency, following the change of functional and reporting currency with effect from 1 October 2023. As outlined below, the conversion of prior year figures was done to comply with International Financial Reporting Standards (IFRS®). It is noted that these figures may not reflect the underlying financial performance. The prior year comparative figures display some distortions and disparities primarily due to exchange rate volatility, inaccurate measurements of inflation, impact of inflationary stockholding gains and exchange gains and losses.

Group revenue for the six months at US$389 million increased by 11% compared to the restated prior year figures. Management indicates that, after adjusting for the distortions caused by the currency conversion process, the underlying revenue growth is approximately 3%. The proportion of domestic sales undertaken in foreign currency declined from an average of 88% in the prior year to around 77% in the current period. This shift is largely attributed to the introduction of the ZiG currency, the strict enforcement of dual pricing regulations and increased sales to the formal retail sector which largely trades in local currency.

Profit before tax is indicated at US$55.8 million whilst income (Earnings before interest and tax) was at US$64.8 million. It is highlighted that the prior year comparative figures included currency related distortions. The trading margins in the current period were partly affected by the under recovery on the sugar tax and the higher cost of imported maize. It is highlighted that an equivalent of US$20.5 million was paid as sugar tax by Delta Beverages and Schweppes Zimbabwe for the period February to September 2024.

During the reporting period, the local currency remained relatively stable, but towards the end, it became apparent that the official exchange rates no longer fully reflected prevailing market conditions. Management observed some shifts in the proportions of collection by currency and a growing gap between the legislated exchange rate and the transaction market rates. As adopted in prior years and in line with International Accounting Standard (IAS) 21 – The Effects of Changes in Foreign Exchange Rates, the Group determined an adjusted exchange rate that better represents the economic realities. There were significant exchange losses arising from the devaluation of monetary assets, particularly cash holdings and debtor balances at the end of the reporting period due to the exchange rate variations. The official exchange rate was devalued by the Reserve Bank of Zimbabwe to a level that aligned with market rate and in line with the Group's estimates. The Group continues to closely monitor monetary conditions and align its exchange rate strategies with the requirements of IAS 21 supported by demonstratable market developments.

Both UNB South Africa and Natbrew Zambia recorded losses for the period due to a poor volume performance.

The Board reminds users to take cognisance of the distortion of comparative financial figures which were derived to comply with IFRS® (IAS 21 and IAS 29). The conversion process also resulted in the undervaluation of property, plant and equipment.

The focus is on protecting the balance sheet, optimum resource allocation, generating positive cashflows to fund the ongoing capital projects and turning around the regional operations.

Functional Currency

The Directors have considered the current operating environment and the requirements of the IFRS® and have concluded that it is appropriate to present the financial statements in US Dollars. The change in functional currency was with effect from 1 October 2023. This position has been maintained despite the introduction of the ZiG currency in April 2024.

In accordance with IFRS®, the inflation adjusted numbers reported in prior year have been converted using the exchange rates as a 31 March 2023 of 1:1 000 whilst the transactions and balances for the first half of prior year were inflation adjusted then converted to USD at a rate of 1:5 500.

While the conversion process was mathematically accurate, users of these financial statements are strongly advised to exercise caution when relying on the balances, as they were significantly influenced by exchange rate distortions and challenges in accurately determining the inflation indices applied for hyperinflation accounting.

Update On Tax Matters

As previously reported, there are areas of disagreement regarding the currency of payment for certain taxes and the methods of splitting the taxes by currency for the period 2019 to 2021. The Zimbabwe Revenue Authority (ZIMRA) issued additional income tax and value added tax (VAT) assessments, including penalties and interest against Group entities amounting to US$54.7 million. ZIMRA contends that these amounts should have been paid exclusively in foreign currency and the amounts originally paid to be refunded in the debased nominal values. Whilst the recent court judgments in our case and other similar cases support ZIMRA's position on the matter, there are significant legal and factual issues still to be addressed. There are also some recent judgements that contradict the positions adopted in our matter. ZIMRA is empowered to collect any taxes it deems due under the "pay now, argue later" principle. The Group has accumulated payments amounting to US$8.5 million as at 30 September 2024 in line with this principle and as per agreed payment plans. The business believes that any revisions to the payment plan will be rational, taking into account the financial health of the business and the fact that the principal amounts were fully paid in legal tender at the relevant periods, based on the best available interpretation of the legislation. We also contend that the authorities should allow a trading off with some financial instruments due from Government to offset any part of the final assessments that becomes payable.

There are still areas that require clarity and adjustment in the assessments raised. While appealing certain areas of the assessments and judgments, with guidance from tax experts and legal counsel, management continues to engage with ZIMRA and the government to find a workable solution that recognises the social contract among stakeholders.

These assessments may have a material impact on the Group's operations, if they materialise as per the extant assessments. At this stage, the Board cannot estimate the likely outcome or timing of the resolution of these matters. An assessment will also be made on whether to change the accounting treatment of the assessments and the amounts paid so far.

Outlook

The operating environment in Zimbabwe remains complex driven by the numerous changes to policies and an unstable currency. The beverages sector, in particular, and indeed the broader market, have been significantly affected by the sugar tax, the restrictions on the route to market and the strict enforcement of the use of official exchange rates for retail price determination. There is no clarity on whether Government will adopt the recommendations to refine the tax policies that impact competitiveness and viability, such as the sugar tax and route to market regulations.

There are opportunities to strengthen the implementation of policies aimed at stabilizing the local currency, particularly in areas such as liquidity management, deficit financing, and exchange rate determination. Expanding access to foreign currency through banking channels could also enhance the operating environment and support greater economic resilience.

The full effects of lower mineral prices and reduced agricultural output due to the El Niño-induced drought have not fully manifested. The preparations for the 2024/25 summer cropping season need to be accelerated to take advantage of the forecast normal to above normal rainfall season.

Despite these challenges, the business is well-positioned to seize opportunities from increased consumer spending, following the recent expansion in production capacity. Our focus remains on capitalizing on activities that generate aggregate demand and positioning the business for future growth.

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 uprated the brand activations supporting sports and culture.

Interim Dividend

The Board declared an interim dividend (number 135) of US1.0 cent per share to be paid on 10 December 2024. Further details are outlined in the Dividend Notice to Shareholders section.

Appointment of Board Chairman

I am grateful for being appointed Board Chairman effective 01 November 2024 and pay tribute to my predecessor the late Mr. Sternford Moyo. I also appreciate the confidence my fellow Directors have placed on me to hold this role.

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

T. Moyo
Chairman
7 November 2024

Dividend Notice To Shareholders

NOTICE is hereby given that the Board of Directors has declared an interim dividend, Number 135 of US 1 cent 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 29 November 2024. The dividend will be paid by direct transfers or other approved forms of payment as per the following timetable.

ACTION	DATE
Announcement Date	7 November 2024
Last Date to Trade – cum dividend	26 November 2024
Share Trade Ex Dividend	27 November 2024
Last Record Date (LDR)	29 November 2024
Payment Date	10 December 2024
Dividend Per Share	US 1.0 cent

By Order of the Board

Ms F Musinga
Company Secretary
7 November 2024