



Condensed interim financial statements
for the six months ended 30 June 2023

Index

1

- Company information

2

- Directors' statement of responsibility

3

- Results overview

4

- Independent auditor's review report

5

- Condensed statement of financial position

6

- Condensed statement of profit or loss and other comprehensive income

7

- Condensed statement of changes in equity

8

- Condensed statement of cash flows

9

- Notes to the condensed financial statements



Company information

Registration number	2019/616052/06
Entity domicile	South Africa
Legal form	Public company
Country of incorporation	South Africa
Date of incorporation	5 December 2019
Address of registered office	65 Park Lane Sandown 2196
Principal activity	Acquiring and holding ordinary shares in Anheuser-Busch InBev SA/NV
Active directors (all non-executive)	Moss Ngoasheng* (Chairman) Ernest Kwindu* Itumeleng Dlamini* Duncan Pask** William Mogase** <i>* Independent non-executive director</i> <i>** Non-executive director</i>
Company secretary	Rilapax Proprietary Limited (t/a William Radcliffe)
Auditors	PricewaterhouseCoopers Inc.
JSE Sponsor	Tamela Holdings Proprietary Limited

The condensed interim financial statements have been prepared by William Karuhije (CA) SA under the supervision of the board of directors.

Directors' statement of responsibility

for the six months ended 30 June 2023

The directors are responsible for the preparation, integrity and fair presentation of the condensed interim financial statements of SAB Zenzele Kabili Holdings (RF) Limited ("SAB Zenzele Kabili" or "the Company").

The condensed interim financial statements have been reviewed by the independent auditing firm PricewaterhouseCoopers Inc. which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the board and committees of the board. The directors believe that all representations made to the independent auditors during their review were valid and appropriate. The auditor's unmodified review report is presented on page 4.

The condensed interim financial statements for the period ended 30 June 2023 presented on pages 5 to 19 have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and in accordance with and containing the information required by the International Accounting Standard 34: Interim Financial Reporting ('IAS 34') as issued by the International Accounting Standards Board ('IASB'), the South African Institute of Chartered Accountants ('SAICA') Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange ('JSE') Listings Requirements and the requirements of the Companies Act of 2008, as amended. They are based on appropriate accounting policies which have been consistently applied, and which are supported by reasonable and prudent judgements, including judgements involving estimations. The going concern basis has been adopted in preparing the condensed interim financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The directors confirm that the internal financial controls are adequate and effective and can be relied upon in compiling the condensed interim financial statements, having fulfilled their role and function within the combined assurance model of the King Code on Corporate Governance 2016 ("King IV"), in terms of which assurance is obtained from management and from internal and external assurance providers. Where the directors are not satisfied, deficiencies in the design and operational effectiveness of the internal financial controls and any fraud that involves directors was disclosed to the audit committee and the auditors, and the necessary remedial action implemented.

The condensed interim financial statements were approved by the board on 21 September 2023 and are signed on its behalf by:



Moss Ngoasheng

Chairman of the Board

21 September 2023



Ernest Kwinda

Independent non-executive director

Results overview

for the six months ended 30 June 2023

Performance for the six months ended 30 June 2023

SAB Zenzele Kabili's financial performance is based mainly on the Anheuser-Busch InBev SA/NV ("AB InBev") share price and any dividend declared and received from AB InBev during the period.

As SAB Zenzele Kabili's only material investment and asset consist of AB InBev shares, the Company is entirely dependent on the receipt of dividends from AB InBev.

The AB InBev Board approved and declared a full year 2022 dividend of 0.75 EUR per share at the AB InBev Annual General Meeting held on 26 April 2023. The Company received R77 421 705 (30 June 2022: R42 953 441) in dividend income from AB InBev calculated at an exchange rate of ZAR20.22: EUR1. The Company also received a refund of the local withholding tax relating to the 2022 dividend amounting to R2 147 672 bringing the total dividend related income for the six months to 30 June 2023 to R79 569 377. Firstly, R7 336 186 has been allocated to fund the Company's permitted operational costs. The remainder of R72 233 191 was distributed as follows, 75% to pay dividends owing to the preference shareholders amounting to R54 174 893, to reduce the debt owing to the preference shareholders and 25% amounting to R18 058 298 allocated for payment as a dividend to ordinary shareholders. A dividend of R0.45 per share amounting to R18 247 500 was paid to ordinary shareholders on 26 June 2023 as a special dividend.

For the six months to 30 June 2023, the Company recognised a profit of R87 900 810 (30 June 2022: loss of R601 941 954). The profit for the six months ended 30 June 2023 is largely attributable to the fair value gain on financial assets of R209 230 971 relating to the AB InBev shares.

The AB InBev share price as at 30 June 2023 was R1 064.82. The increase in the AB InBev share price from R1 023.84 on 31 December 2022 has had a direct impact on the fair value gain on financial assets of R209 230 971 recognised in the condensed statement of profit or loss and other comprehensive income.

For details of movement in the fair value of the financial assets refer to Note 2 and Note 15.

Independent auditor's review report

for the six months ended 30 June 2023



INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Shareholders of SAB Zenzele Kabili Holdings (RF) Limited

We have reviewed the condensed interim financial statements of SAB Zenzele Kabili Holdings (RF) Limited in the accompanying interim report, which comprise the condensed statement of financial position as at 30 June 2023 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements of SAB Zenzele Kabili Holdings (RF) Limited for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: MM Mokone

Registered Auditor

Johannesburg, South Africa

21 September 2023

The examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the review of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection. Reg. No. 1998/012055/21, VAT Reg. No. 4950174682.

Condensed statement of financial position

as at 30 June 2023

	Notes	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
ASSETS				
Non-current assets				
Financial asset at fair value through profit or loss	2	5 436 636	4 473 244	5 227 405
Total non-current assets		5 436 636	4 473 244	5 227 405
Current assets				
Cash and cash equivalents	3	14 158	29 982	9 199
Prepayments		51	48	204
Shareholder's loan	10	–	–	–
Total current assets		14 209	30 030	9 403
Total assets		5 450 845	4 503 274	5 236 808
EQUITY AND LIABILITIES				
Share capital	4	1 622 000	1 622 000	1 622 000
Capital reserves	5	1 431 711	1 431 711	1 431 711
Accumulated losses		(725 620)	(1 356 885)	(795 273)
		2 328 091	1 696 826	2 258 438
Non-current liabilities				
Preference shares – cumulative redeemable	6	2 761 761	2 612 158	2 692 672
The South African Breweries Proprietary Limited Facility	7	12 933	12 415	–
Total non-current liabilities		2 774 694	2 624 573	2 692 672
Current liabilities				
Preference share – dividend accrual	6	340 072	174 356	265 569
The South African Breweries Proprietary Limited Facility	7	–	–	12 674
Trade and other payables	9	7 106	6 792	7 327
Tax payable		30	–	119
Payable to shareholders		852	727	9
Total current liabilities		348 060	181 875	285 698
Total equity and liabilities		5 450 845	4 503 274	5 236 808

Condensed statement of profit or loss and other comprehensive income

for the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Dividend income	11	77 422	42 953	42 953
Fair value gain/(loss) on financial asset	15	209 231	(441 897)	312 264
Operating expenses	12	(3 874)	(3 877)	(7 514)
Operating profit/(loss)		282 779	(402 821)	347 703
Finance income – Interest received		1 060	343	711
Finance costs	14	(198 026)	(184 430)	(373 548)
Profit/(loss) before taxation		85 813	(586 908)	(25 134)
Taxation	18	2 088	(15 034)	(15 196)
Profit/(loss) for the period		87 901	(601 942)	(40 330)
Other comprehensive income:				
Other comprehensive income		–	–	–
Total comprehensive profit/(loss) for the period		87 901	(601 942)	(40 330)
Basic earnings/(loss) per share (Rand)	8	2.17	(14.84)	(0.99)
Diluted earnings/(loss) per share (Rand)	8	2.17	(14.84)	(0.99)

Condensed statement of changes in equity

for the six months ended 30 June 2023

	Share capital R'000	Capital reserves R'000	Accumulated losses R'000	Total equity R'000
Balance at 31 December 2021	1 622 000	1 431 711	(749 266)	2 304 445
Loss for the period to June 2022	–	–	(601 942)	(601 942)
Dividend declared [#]	–	–	(5 677)	(5 677)
Balance at 30 June 2022	1 622 000	1 431 711	(1 356 885)	1 696 826
Profit for the period to 31 December 2022	–	–	561 612	561 612
Balance at 31 December 2022	1 622 000	1 431 711	(795 273)	2 258 438
Profit for the period to 30 June 2023	–	–	87 901	87 901
Dividend declared [#]	–	–	(18 248)	(18 248)
Balance at 30 June 2023	1 622 000	1 431 711	(725 620)	2 328 091

[#] The dividend per share to ordinary shareholders was R0.45 (2022: R0.14).

Condensed statement of cash flows

for the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Cash generated from operations	16	73 481	39 721	36 474
Dividends paid		(18 249)	(5 677)	(5 677)
Finance income received		1 060	343	711
Net proceeds on sale of SAB Zenzele Kabili Holdings (RF) Limited shares on behalf of beneficiaries		843	–	(728)
Taxation received/(paid)	19	1 999	(15 034)	(15 077)
Net cash generated from operations		59 134	19 353	15 703
Cash flows from financing activities				
Repayment of preference share liability	6	(54 175)	–	(17 133)
Net cash outflow from financing activities		(54 175)	–	(17 133)
Net increase/(decrease) in cash and cash equivalents		4 959	19 353	(1 430)
Cash and cash equivalents at the beginning of the period	3	9 199	10 629	10 629
Cash and cash equivalents at the end of the period	3	14 158	29 982	9 199

Notes to the condensed financial statements

for the six months ended 30 June 2023

1. Basis of preparation

These condensed interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of IFRS and in accordance with and containing the information required by IAS 34: Interim Financial Reporting as issued by the IASB the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the Company's functional and presentation currency. The condensed interim financial statements only have one reportable segment for the six months ended 30 June 2023.

The significant accounting policies are in terms of IFRS and are consistent in all material respects with those applied for the year ended 31 December 2022. The Company adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Company from 1 January 2023, none of which had any material impact on the Company's financial results for the period. Significant accounting policies are available for inspection at the Company's registered office.

2. Financial asset at fair value through profit or loss

In 2010, The South African Breweries Proprietary Limited ("SAB") implemented a B-BBEE transaction known as SAB Zenzele (the "Existing Empowerment Transaction"). The Existing Empowerment Transaction involved SAB issuing approximately 3.52% of its total issued shares at the time to SAB Zenzele, who in turn offered to issue SAB Zenzele Shares to qualifying black people who are retail liquor license holders, retail liquor license applicants or registered customers of Amalgamated Beverage Industries ("ABI"), the previous soft drinks division of SAB. It also involved an issue of shares in SAB to The SAB Zenzele Employee Trust established for the benefit of the SAB group employees and to The SAB Foundation Trust for the benefit of the broader South African community.

The Existing Empowerment Transaction was established as a 10-year scheme to, amongst other things, give Qualifying Retailers and employees a chance to indirectly own shares in SAB through their ownership of SAB Zenzele Shares and to participate in, and become entitled to, the profits of SAB and, at the end of the 10-year transaction term, to become direct shareholders of SABMiller, the ultimate shareholder of SAB.

In 2016, following implementation of the Existing Empowerment Transaction, SABMiller entered into a combination transaction with AB InBev in terms of which, amongst other things, SABMiller and AB InBev merged into a new entity under the name AB InBev. This resulted in an amendment to the scheme where AB InBev replaced SABMiller in the arrangement.

In conjunction with the contemplated unwind of the Existing Empowerment Transaction, SAB had received consistent feedback from Retailer shareholders that they wish to be provided with an opportunity to reinvest a portion of the value to which they will be entitled to on the unwind of the Existing Empowerment Transaction.

As a result of the decision made by the Independent Board of SAB Zenzele, SAB and SAB Zenzele Kabili on 23 March 2020 (due to the impact of the COVID-19 pandemic) it was resolved that each SAB Zenzele Retailer Shareholder would be paid an amount equal to 77.4% of its entitlement in the form of cash from the unwind of the existing empowerment transaction. The balance of the entitlement would be retained to allow the shareholders a reinvestment opportunity into SAB Zenzele Kabili when the SAB Zenzele Board calls another general meeting to ask shareholders to vote on the implementation of the new scheme.

AB InBev and SAB have implemented the proposed new empowerment transaction which was conditional on certain approvals and implementation of the conditions as set out in the prospectus document circulated to the retailers during April 2021. The implementation of the new empowerment transaction was concluded in May 2021.

The New Empowerment Transaction proposed by AB InBev and SAB was designed, amongst other things, to facilitate a reinvestment opportunity for SAB Zenzele Retailer Shareholders of their respective rights and entitlements to receive AB InBev Shares on the unwind of the 2010 Empowerment Transaction.

The SAB Zenzele Scheme proposed by the SAB Zenzele Board between SAB Zenzele and the SAB Zenzele Retailer Shareholders, in terms of which SAB Zenzele Retailer Shareholder cedes to SAB Zenzele Kabili 63.5% of its right and entitlement to receive AB InBev shares pursuant to the unwind of the 2010 Empowerment Transaction, in exchange for SAB Zenzele Kabili Ordinary Shares of proportional value, which was conditional on the SAB Zenzele Scheme being duly approved and implemented.

Notes to the financial statements continued

for the six months ended 30 June 2023

2. Financial asset at fair value through profit or loss (continued)

AB InBev and SAB implemented the proposed New Empowerment Transaction through SAB Zenzele Kabili, by means of the following core elements:

- **The Reinvestment Offer:** SAB Zenzele Kabili made an offer to SAB Zenzele Retailer Shareholders to cede all or a portion of their rights and entitlements (less their SAB Zenzele Scheme Entitlements) to receive AB InBev Shares pursuant to the unwind of the 2010 Empowerment Transaction to SAB Zenzele Kabili, in exchange for SAB Zenzele Kabili Ordinary Shares of Proportional Value. This resulted in the SAB Zenzele Retailers contributing R723 301 680 which equates to 683 121 AB InBev shares in exchange for 18 082 542 SAB Zenzele Kabili shares.
- **New ESOP subscription:** SAB Zenzele II Employee Share Trust ("The New ESOP") transferred to SAB Zenzele Kabili the equivalent of R600 000 000 worth of the AB InBev Shares contributed to it by SAB in exchange for 15 000 000 SAB Zenzele Kabili shares.
- **The SAB Foundation subscription:** The SAB Foundation has contributed R298 698 320 which equates to 282 105 AB InBev shares in exchange for 7 467 458 new SAB Zenzele Kabili Ordinary Shares.
- **Stock lending agreement:** SAB Zenzele Kabili received AB InBev Shares in terms of the Stock Lending Agreement. Based on the substance of the master stock lending and sub-lending agreement SAB Zenzele Kabili accounted for the AB InBev shares obtained under the arrangement as capital contribution in equity.
- **Discount Shares:** As an incentive to the SAB Zenzele Retailer Shareholders to participate in the New Empowerment Transaction, SAB contributed the equivalent of AB InBev Shares to the value of approximately R811 000 000 to SAB Zenzele Kabili at no further cost to SAB Zenzele Kabili.

The sources of the funding for the initial investment were as follows:

Source of funding	Rand
Discount shares	811 000 000
Equity contribution – SAB Zenzele Retailer Shareholders	723 301 680
Equity contribution – The New ESOP – on behalf of SAB	600 000 000
Equity contribution – The SAB Foundation	298 698 320
Stock lending agreement – Capital contribution in equity	2 973 000 000
	5 406 000 000

As a result of the above, the Company holds 5 105 685 shares in AB InBev. There was no movement in the number of shares held from acquisition.

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Investment in Anheuser-Busch InBev SA/NV (AB InBev)			
Cost	5 406 000	5 406 000	5 406 000
Accumulated fair value adjustment	30 636	(932 756)	(178 595)
	5 436 636	4 473 244	5 227 405

The investment is categorised as level 1 in the fair value hierarchy. Therefore, the investment in AB InBev and subsequent remeasurement of the fair value adjustments will be dependent on the performance of the AB InBev share price.

The fair value was determined using the JSE listed share price as below:

	As at 30 June 2023 Reviewed Rand	As at 30 June 2022 Reviewed Rand	As at 31 December 2022 Audited Rand
JSE listed closing share price	1 064.82	876.13	1 023.84

	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
3. Cash and cash equivalents			
Cash and cash equivalents consist of:			
Bank balances	14 158	29 982	9 199
	14 158	29 982	9 199

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these instruments. Due to the short-term nature of cash and cash equivalents, it is regarded as having a low probability of default and therefore the related expected credit loss is deemed to be insignificant.

The Company maintains its cash and cash equivalents with financial institutions having a good reputation, good past track record and high quality credit rating. Cash and cash equivalents are held with Investec Bank that has a credit rating of Aa1 with Moody's Rating Agency and therefore the directors do not expect any counterparty to fail to meet its obligations.

	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
4. Share capital			
Authorised share capital			
50 000 000 ordinary shares of no par value	–	–	–
1 000 000 Class A cumulative redeemable no par value preference shares	–	–	–
Issued share capital			
40 550 000 ordinary shares issued at R40 per share and 1 ordinary share of R0.10, which is unlisted	1 622 000	1 622 000	1 622 000

The 1 ordinary share of R0.10 was issued in the prior financial period to The South African Breweries Proprietary Limited. This share is unlisted and may not vote at the annual general meeting. 9 449 999 authorised unissued ordinary shares are under the control of the directors.

	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
5. Capital reserves			
Total capital reserve	1 431 711	1 431 711	1 431 711

The South African Breweries Proprietary Limited contributed R811 million AB InBev shares at no cost to the Company as part of the New Empowerment Transaction implemented on 28 May 2021. SAB Zenzele Kabili accounted for the AB InBev shares obtained under the arrangement as capital contribution in equity. Refer to Note 2 for further details.

Notes to the financial statements continued

for the six months ended 30 June 2023

	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
6. Preference shares – cumulative redeemable			
Opening balance	2 958 241	2 602 334	2 602 334
Finance cost (refer Note 14)	197 767	184 180	373 040
Repayment	(54 175)	–	(17 133)
Total preference shares	3 101 833	2 786 514	2 958 241
Non-current preference shares – cumulative redeemable	2 761 761	2 612 158	2 692 672
Current preference shares – cumulative redeemable	340 072	174 356	265 569
Total preference shares	3 101 833	2 786 514	2 958 241

5 946 Class A preference shares were issued to The South African Breweries Proprietary Limited at R500 000 per preference share on 28 May 2021 amounting to R2 973 000 000. 117 Class A preference shares were issued to The South African Breweries Proprietary Limited at R500 000 per preference share on 1 September 2021 amounting to R58 500 000. The preference shares are initially recognised at fair value and subsequently measured at amortised cost.

On initial recognition the fair value of the preference share liability was calculated first with reference to the contractual value above as well as the key inputs and assumptions described below. The difference between the fair value and the transaction price has been accounted for as a capital contribution in equity. Refer to Note 5 for further details.

Subsequent measurement of the preference shares is recognised at amortised cost. Interest on the preference share liability is calculated using the effective interest rate method. The effective interest rate for the six months ended 30 June 2023 is 14.74% (June 2022: 14.54%, December 2022: 14.22%). This is the rate that is required to discount the contractual cash flows back to the carrying amount.

The dividend rate on the preference shares is calculated as 70% of prime rate, nominal, annual and compounded monthly.

The accumulated preference share dividends are only payable once dividends are received from AB InBev and only to the extent that obligations in respect of operating expenses have been covered up to a maximum of R15 000 000 per annum.

An amount of R54 174 893 (2022: R17 132 742) was paid to preference shareholders to reduce the debt owing to the preference shareholders on 28 June 2023 (2022: 4 August 2022). The repayment was made with reference to schedule 3 sub-section 1.10 of the preference share subscription agreement.

The preference shares rank in priority to the ordinary shares in relation to distributions but behind all debt of the Company. The preference shareholder has security over all the shares held by the Company in AB InBev (refer Note 2) and a negative pledge.

The 5 946 Class A preference shares are to be redeemed 10 years and 1 day after the issue date which comes to 28 May 2031. The 117 Class A preference shares are to be redeemed 10 years and 1 day after the issue date which comes to 1 September 2031.

To determine the fair value of the financial liability at initial recognition the preference share liability has been calculated as the sum of the discounted preference share face value and the discounted preference share coupons expected to be paid over the period from the inception of the SAB Zenzele Kabili transaction to the preference share redemption date.

The preference share value is calculated with reference to the following key inputs and assumptions:

- Preference share face value;
- Accumulated preference share coupon balance;
- Preference share coupon payable;
- Discount factor at maturity time; and
- Discount factor at valuation point.

6. Preference shares – cumulative redeemable (continued)

Additionally, the following financial market data is used in the valuation:

	Six months ended 30 June 2023 Reviewed	Six months ended 30 June 2022 Reviewed	Year ended 31 December 2022 Audited
ZAR Prime lending rate	11.75%	8.25%	10.50%
ZAR Prime curve	3M JIBAR Basis spreads	3M JIBAR Basis spreads	3M JIBAR Basis spreads
ZAR Risk-free curve	3M JIBAR zero curve	3M JIBAR zero curve	3M JIBAR zero curve
ZAR CPI curve	South African CPI Inflation zero curve	South African CPI Inflation zero curve	South African CPI Inflation zero curve

3M JIBAR basis spreads were added to the 3M JIBAR zero curve to obtain the ZAR Prime curve used in the valuation of the preference share liability. 3M JIBAR zero curve has been used as a proxy for the risk-free rate given that there are no actively traded overnight indexed swaps in the South African market to construct a risk-free curve.

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
7. The South African Breweries Proprietary Limited Facility			
Opening balance	12 674	12 165	12 165
The South African Breweries Proprietary Limited Facility – Accrued Interest (non-cash)	259	250	509
Closing balance	12 933	12 415	12 674

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Non-current facility	12 933	12 415	–
Current facility	–	–	12 674
Total facility	12 933	12 415	12 674

On 8 August 2021 the Company signed a facility agreement with SAB where SAB would provide SAB Zenzele Kabili with a facility of R12 million. The duration of this agreement is for two years, and all principal and any accrued interest must be repaid by 7 August 2023. The interest rate on the facility is 4.1%. On 14 March 2023, an addendum to the facility agreement was signed between the Company and SAB where the maturity date of the facility was extended from 7 August 2023 to 7 August 2025. This extension will assist the Company with its liquidity shortfall.

Notes to the financial statements continued

for the six months ended 30 June 2023

	Six months ended 30 June 2023 Reviewed Rand	Six months ended 30 June 2022 Reviewed Rand	Year ended 31 December 2022 Audited Rand
8. Earnings/(loss) per share			
Basic earnings/(loss) per share	2.17	(14.84)	(0.99)
Diluted earnings/(loss) per share	2.17	(14.84)	(0.99)

There were no adjustments required to earnings/(losses) attributable to equity shareholders in the determination of headline earnings/(losses). Therefore, headline earnings/(losses) per share is the same as basic earnings/(losses) per share disclosed above.

There are no potential ordinary shares that would have a dilutive effect on the earnings/(losses) per share. Therefore, diluted earnings/(losses) per share and diluted headline earnings/(losses) per share is the same as basic earnings/(losses) per share disclosed above.

Earnings/(losses) per share calculations are based on earnings/(losses) and the weighted average number of ordinary shares outstanding as set out below:

	Six months ended 30 June 2023 Reviewed	Six months ended 30 June 2022 Reviewed	Year ended 31 December 2022 Audited
Profit/(losses) attributable to equity shareholders (Rand)	87 900 810	(601 941 954)	(40 330 228)
Weighted average number of shares	40 550 001	40 550 001	40 550 001

	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
9. Trade and other payables			
Related party payable (refer Note 10)	5 459	5 242	5 286
Other payables	1 647	1 550	1 794
Accruals for directors' remuneration	–	–	247
	7 106	6 792	7 327

10. Related party transactions

During the year, the Company incurred expenses as set out in Note 12 in the ordinary course of business. Some of these expenses were paid for by related parties and charged to the Company. These related party payables are included in trade and other payables in the statement of financial position.

	As at 30 June 2023 Reviewed Rand	As at 30 June 2022 Reviewed Rand	As at 31 December 2022 Audited Rand
Related party balances			
Other receivables			
The South African Breweries Proprietary Limited	0.10	0.10	0.10
Other payables			
The South African Breweries Proprietary Limited	(5 459 002)	(5 242 958)	(5 286 190)
Preference shares – cumulative redeemable/dividend accrual			
The South African Breweries Proprietary Limited	(3 101 832 644)	(2 786 514 575)	(2 958 241 212)

10. Related party transactions (continued)

Relationships:

Ultimate Holding Company:	Anheuser-Busch InBev SA/NV
Holding Company/Preference shareholder:	The South African Breweries Proprietary Limited
Fellow subsidiaries:	SAB Zenzele Holdings (RF) Limited
	SAB Zenzele II Employee Share Trust
	The SAB Foundation Trust

Refer to Note 2 for further disclosure regarding the related party transactions during the period ended 30 June 2023.

11. Dividend income

During the period, the Company received a dividend per share of 0.75 EUR at an exchange rate of ZAR20.22: EUR1 from AB InBev which amounted to R77 421 705 (30 June 2022: R42 953 441). The Company obtained exemption from foreign and local withholding tax with respect to the dividend income.

	Six months ended 30 June 2023 Reviewed	Six months ended 30 June 2022 Reviewed	Year ended 31 December 2022 Audited
Dividend per share (EUR)	0.75	0.50	0.50
Number of shares	5 105 685	5 105 685	5 105 685
Rate of exchange (ZAR)	20.21843	16.82571	16.82571
Dividend income (ZAR)	77 421 705	42 953 411	42 953 411

12. Operating expenses

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Operating expenses consist of:			
Directors' remuneration (refer Note 13)	507	311	1 157
Administration fees	1 271	1 200	2 482
Auditors' remuneration	217	183	536
Computershare expenses	263	270	516
Sponsor fees	153	144	294
Professional fees	745	756	1 322
Other costs	718	1 013	1 207
	3 874	3 877	7 514

Notes to the financial statements continued

for the six months ended 30 June 2023

13. Directors' remuneration

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
Moss Ngoasheng	207	155	449
Ernest Kwinda	171	81	408
Itumeleng Dlamini	129	75	300
	507	311	1 157

Duncan Pask and William Mogase are SAB nominee directors and full time employees of SAB. The SAB nominee directors are not paid any amount by the Company and no material portion of their salaries paid by SAB is attributable or allocated to fulfilling the function as director of the Company. For this reason, no remuneration is disclosed for these directors. Lucia Swartz, who was also a SAB nominee director, resigned as director on 7 June 2022 and William Mogase was appointed as director on the same date. The director's remuneration paid to directors was for services they rendered as members of the Board of Directors, Audit Committee and Social and Ethics Committee.

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
14. Finance costs			
Interest expense on cumulative redeemable preference shares	197 767	184 180	373 040
Interest expense on The South African Breweries Proprietary Limited Facility	259	250	508
	198 026	184 430	373 548

The effective interest rate for the six months ended 30 June 2023 is 14.74% (June 2022: 14.54%, December 2022: 14.22%). This is the rate that is required to discount the contractual cash flows back to the carrying amount. The dividend rate on the preference shares is calculated as 70% of prime rate, nominal, annual and compounded monthly which amounted to R128 747 496 (June 2022: R84 565 170, December 2022: R192 327 363). This has been disclosed as a current liability as this is payable upon receipt of the next AB InBev dividend in line with the terms per the preference share agreement.

A payment of R54 174 893 (2022: R17 132 742) was made on 28 June 2023 (2022: 4 August 2022) to SAB relating to the preference share dividends.

The interest rate on The South African Breweries Facility is calculated at 4.1%, nominal, annual and compounded monthly.

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
15. Fair value gain/(loss) on financial asset			
Fair value gain/(loss) on investment in AB InBev shares	209 231	(441 897)	312 264
	209 231	(441 897)	312 264

The gain/(loss) on fair value of AB InBev shares in the respective period resulted from the increase/(decrease) of the AB InBev share price. Refer to Note 2 for detail on the share price.

	Six months ended 30 June 2023 Reviewed R'000	Six months ended 30 June 2022 Reviewed R'000	Year ended 31 December 2022 Audited R'000
16. Cash (used in)/generated from operations			
Profit/(loss) before taxation	85 813	(586 909)	(25 134)
Adjustments for:			
Interest income	(1 060)	(343)	(711)
Finance costs	198 026	184 430	373 548
Fair value (gain)/loss on financial asset	(209 231)	441 897	(312 264)
Changes in working capital:			
(Increase)/decrease in prepayments	153	144	(12)
Increase/(decrease) in trade and other payables	(220)	502	1 047
	73 481	39 721	36 474

17. Fair value estimation

The Company's policy is to recognise transfers into and transfers out of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. During the year under review there have been no transfers between any of the levels. The fair value of the investment in equity financial assets is based on the AB InBev share price, as listed on the JSE Limited. The table below presents the Company's assets and liabilities that are measured at fair value and those measured at amortised cost whose fair value is disclosed.

In terms of IFRS 13, Fair Value Measurement, financial instruments that are measured in the statement of financial position at fair value require disclosure of the fair value by level in terms of the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2023				
Fair value measurement				
Financial asset	5 436 636	–	–	5 436 636
Amortised cost measurement				
Cash and cash equivalents	–	–	14 158	14 158
Preference shares – cumulative redeemable/ dividend accrual	–	–	(2 509 333)	(2 509 333)
The South African Breweries Proprietary Limited Facility	–	–	(12 933)	(12 933)
Trade and other payables	–	–	(7 106)	(7 106)
30 June 2022				
Fair value measurement				
Financial asset	4 473 244	–	–	4 473 244
Amortised cost measurement				
Cash and cash equivalents	–	–	29 982	29 982
Preference shares – cumulative redeemable/ dividend accrual	–	–	(2 060 944)	(2 060 944)
The South African Breweries Proprietary Limited Facility	–	–	(12 415)	(12 415)
Trade and other payables	–	–	(6 609)	(6 609)

There were no transfers between level 1, 2 or 3 during the financial period.

Notes to the financial statements *continued*

for the six months ended 30 June 2023

18. Taxation

A deferred taxation asset has not been recognised in respect any assessed loss as management believes in following a prudent approach and does not consider it probable, at this time, that future taxable profit will be available against which the Company can utilise the benefits therefrom in the foreseeable future.

	As at 30 June 2023 Reviewed %	As at 30 June 2022 Reviewed %	As at 31 December 2022 Audited %
Income tax expense	(60)	–	(162)
Withholding tax	2 148	(15 034)	(15 034)
	2 088	(15 034)	(15 196)

The withholding tax of R15 033 705 relates to foreign dividends from AB InBev, which was not exempted in 2022. The withholding tax is calculated as 30% foreign withholding tax and 5% local withholding tax of the dividends received from AB InBev. On 26 April 2023 the Company was refunded the local withholding tax of R2 147 672.

Tax rate reconciliation

The income tax expenses for the period is reconciled to the effective rate of tax as follows:

	As at 30 June 2023 Reviewed %	As at 30 June 2022 Reviewed %	As at 31 December 2022 Audited %
Applicable rate	27	–	28
Exempt dividends	(19)	–	48
Adjustments to comply with IFRS: Fair Value	(36)	–	348
Withholding tax	1	–	–
Expenses not deductible for tax	26	–	(425)
	(1)	–	(1)

	As at 30 June 2023 Reviewed R'000	As at 30 June 2022 Reviewed R'000	As at 31 December 2022 Audited R'000
19. Tax received/(paid)			
Balance at the beginning of the period	(119)	–	–
Current year tax recognised in profit or loss	(60)	(15 034)	(15 196)
Withholding tax refunded	2 148	–	–
Balance at end of the period	30	–	119
	1 999	(15 034)	(15 077)

20. Segment reporting

As at 30 June 2023, the Company has one operating segment which is the reportable segment, being SAB Zenzele Kabili.

The operating segment reflects the management structure of the Company and the way performance is evaluated and resources allocated based on operating profit/(loss) by the Company's chief operating decision-maker (the board of directors).

The information that the board of directors looks at, is the information shown in the primary statements and noted to the financial statements. Given that the Company only has one segment, the disclosure pertaining to segment assets, liabilities and expenses has not been disclosed in this note as the numbers are evident from the primary statements.

21. Going concern

The Company had an accumulated loss of R725 619 738 as at 30 June 2023 (December 2022: R795 273 048). As at 30 June 2023 the Company's current liabilities exceed its current assets by R333 850 559.

The condensed interim financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The South African Breweries Proprietary Limited advanced a facility amount of R12 million on 8 August 2021 to SAB Zenzele Kabili Holdings (RF) Limited to assist the Company in meeting its immediate liquidity shortfall. This advance was provided to assist the Company in meeting its operational obligations until the intended receipt of the next dividend from AB InBev. On 14 March 2023, an addendum to the facility agreement was signed between the Company and SAB where the maturity date of the facility is extended from 7 August 2023 to 7 August 2025. This extension will assist the Company with its liquidity shortfall.

The Company is primarily dependent on dividends from AB InBev to service its obligations. The accumulated preference share dividends are only payable once dividends are received from AB InBev and only to the extent that obligations in respect of operating expenses have been covered up to a maximum of R15 million per annum.

The Company also received a dividend of R77 421 705 from AB InBev of which R7 336 186 has been allocated to fund operation costs.

The directors have reviewed the Company's budget and cash flow forecast for the year ahead. On the basis of this review, and in light of the current financial position of the Company, the directors are satisfied that the Company has sufficient funds for the foreseeable future to continue as a going concern.

22. Subsequent events

There are no material events that occurred during the period subsequent to 30 June 2023 and prior to these financial results being authorised for issue.