



SAB Zenzele Kabili Holdings (RF) Limited

(Registration number: 2019/616052/06)

Interim financial statements

for the 6 months ended 30 June 2022

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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	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

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 pages 5 to 6.

The condensed interim financial statements for the period ended 30 June 2022 presented on pages 7 to 20 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 Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ('SAICA') 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 12 September 2022 and are signed on its behalf by:



Moss Ngoasheng



Ernest Kwinda



Results overview

Performance for the six months ended 30 June 2022

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 2021 dividend of 0.50 EUR per share at the AB InBev Annual General Meeting held on 27 April 2022. The Company received R42 953 441 (30 June 2021: nil) in dividend income from AB InBev calculated at an exchange rate of ZAR16.82:EUR1. This income was used firstly to pay foreign withholding tax of R12 886 032, local withholding tax of R2 147 672 and the Company's permitted operational costs of R 5 076 081. The remainder of R22 843 656 was distributed as follows, 75% to pay dividends owing to the preference shareholders amounting to R17 132 742, to reduce the debt owing to the preference shareholders and 25% amounting to R5 710 914 allocated for payment as a dividend to ordinary shareholders. A dividend of R0.14 per share amounting to R5 677 000 was paid to ordinary shareholders on 13 June 2022 as a special dividend.

For the 6-months to 30 June 2022, the Company recognised a loss of R601 941 954 (Restated 30 June 2021: R216 327 706). The loss for the 6-months ended 30 June 2022 is largely attributable to the impairment loss on financial assets of R441 897 037 and finance costs relating to preference shares amounting to R184 180 408.

The AB InBev share price as at 30 June 2022 was R876,13. The decrease in the AB InBev share price from R962,68 has had a direct impact on the impairment of financial assets of R441 897 037 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



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 2022 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.

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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.

Independent auditor's review report continued



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 2022 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

12 September 2022

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.

Condensed statement of financial position

for the 6 months ended 30 June 2022

	Notes	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Restated R'000	As at 31 December 2021 Audited R'000
Assets				
Non-current assets				
Financial asset at fair value through profit or loss	2	4 473 244	5 277 491	4 915 141
Total non-current assets		4 473 244	5 277 491	4 915 141
Related party receivable: SAB Zenzele Holdings Limited		–	4 217	–
Cash and cash equivalents	3	29 982	–	10 629
Prepayments		48	–	191
Shareholder's loan	10	–	–	–
Total current assets		30 030	4 217	10 820
Total assets		4 503 274	5 281 708	4 925 961
Equity and Liabilities				
Share capital	4	1 622 000	1 622 000	1 622 000
Capital reserves	5	1 431 711	1 419 733	1 431 711
Accumulated losses		(1 356 885)	(216 881)	(749 266)
		1 696 826	2 824 852	2 304 445
Non-current liabilities				
Preference shares – cumulative redeemable	6	2 612 158	2 379 721	2 512 620
The South African Breweries Proprietary Limited Facility	7	12 415	–	12 165
Total non-current liabilities		2 624 573	2 379 721	2 524 785
Current liabilities				
Preference shares – dividend accrual	14	174 356	13 576	89 714
Trade and other payables	9	6 792	59 341	6 280
Payable to shareholders		727	4 217	737
Total current liabilities		181 875	77 134	96 731
Total equity and liabilities		4 503 274	5 281 708	4 925 961

Condensed statement of profit or loss and other comprehensive income

for the 6 months ended 30 June 2022

	Notes	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Restated R'000	Year ended 31 December 2021 Audited R'000
Dividends income	11	42 953	–	–
Fair value loss on financial asset	15	(441 897)	(128 509)	(490 859)
Operating expenses	12	(3 877)	(58 789)	(66 166)
Operating loss		(402 821)	(187 298)	(557 025)
Finance income – Interest received		343	–	23
Finance costs	14	(184 430)	(29 030)	(191 710)
Loss before taxation		(586 908)	(216 328)	(748 712)
Taxation	18	(15 034)	–	–
Loss for the period		(601 942)	(216 328)	(748 712)
Other comprehensive income:				
Other comprehensive income		–	–	–
Total comprehensive loss for the period		(601 942)	(216 328)	(748 712)
Basic loss per share (Rand)	8	(14.84)	(5.33)	(18.46)
Diluted loss per share (Rand)	8	(14.84)	(5.33)	(18.46)

Condensed statement of changes in equity

for the 6 months ended 30 June 2022

	Share capital R'000	Capital reserves R'000	Accumulated losses R'000	Total equity R'000
Balance at 31 December 2020	–	–	(553)	(553)
Issue of shares during the year	1 622 000	–	–	1 622 000
The South African Breweries Proprietary Limited contribution	–	811 000	–	811 000
Loss for the period to June 2021	–	–	(216 328)	(216 328)
Shareholder transaction – acquisition of AB InBev shares	–	2 973 000	–	2 973 000
Shareholder transaction – distribution through issuance of preference shares	–	(2 364 267)	–	(2 364 267)
Balance at 30 June 2021 – Restated	1 622 000	1 419 733	(216 881)	2 824 852
Loss for the period to 31 December 2021	–	–	(532 385)	(532 385)
Shareholder transaction – preference shares issued on 1 September 2021 (net – effect)	–	11 978	–	11 978
Balance at 31 December 2021	1 622 000	1 431 711	(749 266)	2 304 445
Loss for the period to 30 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

Condensed statement of cash flows

for the 6 months ended 30 June 2022

	Notes	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 Audited R'000
Cash (used in)/generated from operations	16	39 721	–	(2 132)
Dividends paid		(5 677)	–	–
Finance income received		343	–	23
Net proceeds on sale of SAB Zenzele Kabili Holdings (RF) Limited shares on behalf of beneficiaries		–	–	738
Taxation paid	18	(15 034)	–	–
Net cash outflow from operations		19 353	–	(1 371)
Cash flows from financing activities				
Proceeds from loans from group companies		–	–	12 000
Net cash inflow from financing activities		–	–	12 000
Net increase in cash and cash equivalents		19 353	–	10 629
Cash and cash equivalents at the beginning of the year	3	10 629	–	–
Cash and cash equivalents at the end of the year	3	29 982	–	10 629

Notes to the condensed financial statements

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 Financial Reporting Guides as issued by the SAICA 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 6 months ended 30 June 2022.

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 2021. 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 2022, 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.

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 the 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.

Notes to the condensed financial statements continued

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

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 – SAB Zenzele II Employee Share Trust (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 shares held since acquisition.

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 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	(932 756)	(128 509)	(490 859)
	4 473 244	5 277 491	4 915 141

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 2022 Reviewed Rand	As at 30 June 2021 Reviewed Rand	As at 31 December 2021 Audited Rand
JSE listed closing share price	876.13	1 033.65	962.68

3. Cash and cash equivalents

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Reviewed R'000	As at 31 December 2021 Audited R'000
Cash and cash equivalents consist of:			
Bank balances	29 982	–	10 630
	29 982	–	10 630

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.

Of the cash on hand at the end of the reporting period, R17 132 742 was utilised to settle a portion of the preference share liability on 4 August 2022. Refer to Note 21.

Notes to the condensed financial statements continued

4. Share capital

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Reviewed R'000	As at 31 December 2021 Audited R'000
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 (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.

5. Capital reserves

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Restated R'000	As at 31 December 2021 Audited R'000
Opening balance	1 431 711	–	–
Capital reserve	–	811 000	811 000
Shareholder transaction – acquisition of AB InBev shares (Note 2)	–	2 973 000	2 973 000
Shareholder transaction – distribution through issuance of preference shares (Note 6)	–	(2 364 267)	(2 364 267)
Shareholder transaction – preference shares issued on 1 September 2021 (Note 6)	–	–	11 978
Total capital reserves	1 431 711	1 419 733	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.

6. Preference shares – cumulative redeemable

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Restated R'000	As at 31 December 2021 Audited R'000
Opening balance	2 602 334		
Class A preference share – cumulative, redeemable, non-participating (Issued on 28 May 2021 for implementation of SAB Zenzele Kabili) – initial recognition of preference shares at fair value	–	2 364 267	2 364 267
Class A preference share – cumulative, redeemable, non-participating (issued on 1 September 2021) – initial recognition of preference shares at fair value	–	–	46 522
Finance cost (refer Note 14)	184 180	–	191 545
Total preference shares	2 786 514	2 364 267	2 602 334

Notes to the condensed financial statements continued

6. Preference shares – cumulative redeemable (continued)

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Restated R'000	As at 31 December 2021 Audited R'000
Non-current preference shares – cumulative redeemable	2 612 158	2 379 721	2 512 620
Current preference shares – cumulative redeemable	174 356	13 576	89 714
Total preference shares	2 786 514	2 393 297	2 602 334

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 2022 is 14.54% (June 2021: 13.14%, December 2021: 13.18%). 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 million per annum.

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;
- Discount factor at valuation point.

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

	Six months ended 30 June 2022 Reviewed	Six months ended 30 June 2021 Restated	Year ended 31 December 2021 Audited
ZAR Prime lending rate	8.25%	7.00%	7.25%
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.

Notes to the condensed financial statements continued

7. The South African Breweries Proprietary Limited Facility

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Restated R'000	Year ended 31 December 2021 Audited R'000
Opening balance	12 165	–	–
The South African Breweries Proprietary Limited Facility – Principal (cash flow)	–	–	12 000
The South African Breweries Proprietary Limited Facility – Accrued Interest (non-cash)	250	–	165
Closing balance	12 415	–	12 165

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%.

8. Loss per share

	Six months ended 30 June 2022 Reviewed Rand	Six months ended 30 June 2021 Restated Rand	Year ended 31 December 2021 Audited Rand
Basic loss per share	(14.84)	(5.33)	(18.46)
Diluted loss per share	(14.84)	(5.33)	(18.46)

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

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

Losses per share calculations are based on losses and the weighted average number of ordinary shares outstanding as set out below:

	Six months ended 30 June 2022 Reviewed	Six months ended 30 June 2021 Restated	Year ended 31 December 2021 Audited
Losses attributable to equity shareholders (Rand)	(601 941 954)	(216 327 706)	(748 712 979)
Weighted average number of shares	40 550 001	40 550 001	40 550 001

9. Trade and other payables

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Reviewed R'000	As at 31 December 2021 Audited R'000
Related party payable (refer Note 10)	5 242	858	5 205
Other payables	1 550	449	1 075
Share loan fee payable	–	58 034	–
	6 792	59 341	6 280

Notes to the condensed financial statements continued

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 2022 Reviewed Rand	As at 30 June 2021 Restated Rand	As at 31 December 2021 Audited Rand
Related party balances			
Other receivables			
The South African Breweries Proprietary Limited	0.10	0.10	0.10
SAB Zenzele Holdings (RF) Limited	–	4 216 834	–
Other payables			
The South African Breweries Proprietary Limited	(5 242 958)	–	(5 205 458)
Preference shares – cumulative redeemable/dividend accrual			
The South African Breweries Proprietary Limited	(2 786 514 575)	(2 393 297 804)	(2 602 334 167)
Related party transactions			
Share loan fee			
The South African Breweries Proprietary Limited	–	–	58 034 328

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 2022.

11. Dividend income

During the period, the Company received a dividend per share of 0.50 EUR at an exchange rate of ZAR16.82:EUR1 from AB InBev which amounted to R42 953 441 (30 June 2021: nil).

12. Operating expenses

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 Audited R'000
Operating expenses consists of:			
Share loan fee	–	58 034	58 034
Directors' remuneration (refer Note 13)	311	305	611
Administration fees	1 200	262	1 400
Auditors' remuneration	183	150	477
Computershare expenses	270	–	244
Sponsor fees	144	–	194
Professional fees	756	–	628
Other costs	1 013	37	4 578
	3 877	58 788	66 166

The share loan fee is determined as a fee equal to 0.66% of the Market Value of the shares determined at close of market on the business day immediately preceding 18 December 2019 which is the date on which the master stock lending and sub lending agreements were signed. The share loan fee is calculated using the total number of AB InBev shares for the Kabili transaction (5 105 685 shares).

Notes to the condensed financial statements continued

13. Directors' remuneration

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 Audited R'000
Moss Ngoasheng	155	155	311
Ernest Kwindu	81	75	150
Itumeleng Dlamini	75	75	150
	311	305	611

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.

14. Finance costs

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 Audited R'000
Interest expense on cumulative redeemable preference shares	184 180	29 030	191 545
Interest expense on The South African Breweries Proprietary Limited Facility	250	-	165
	184 430	29 030	191 710

The effective interest rate for the six months ended 30 June 2022 is 14.54% (June 2021: 13.14%, December 2021: 13.18%). 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 R174 356 154 (June 2021: R13 576 342, December 2021: R89 714 274). 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.

On 4 August 2022, a payment of R17 132 742 was made to SAB relating to the preference share dividends. Refer to Note 21.

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

15. Fair value loss on financial asset

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 Audited R'000
Fair value loss on investment in AB InBev shares	441 897	128 509	490 859
	441 897	128 509	490 859

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

Notes to the condensed financial statements continued

16. Cash (used in)/generated from operations

	Six months ended 30 June 2022 Reviewed R'000	Six months ended 30 June 2021 Reviewed R'000	Year ended 31 December 2021 Audited R'000
(Loss)/profit before taxation	(586 909)	–	(748 713)
Adjustments for:			
Share loan fee expense [#]	–	–	58 034
Other expenses			466
Interest income	(343)	–	(23)
Finance costs	184 430	–	191 710
Fair value loss on financial asset	441 897	–	490 859
Changes in working capital:			
(Increase)/decrease in prepayments	144	–	(192)
Increase in trade and other payables	502	–	5 727
	39 721	–	(2 132)

[#] On 1 September 2021, the Company issued additional preference shares to cover costs of share loan fees. This is therefore a non-cash transaction. Refer to Note 6.

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 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)
30 June 2021				
Fair value measurement				
Financial asset	5 277 491	–	–	5 277 491
Amortised cost measurement				
Preference shares – cumulative redeemable/ dividend accrual	–	–	(2 364 267)	(2 364 267)
Trade and other payables	–	–	(59 341)	(59 341)

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

Notes to the condensed financial statements continued

18. Taxation

No provision has been made for taxation as the Company has no taxable income. The estimated assessed loss available for set-off against future taxable income is R1 356 884 775 (Restated 2021: R216 880 547).

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 there from in the foreseeable future.

	As at 30 June 2022 Reviewed R'000	As at 30 June 2021 Reviewed R'000	As at 31 December 2021 Audited R'000
Income tax expense	–	–	–
Withholding tax	15 034	–	–
	15 034	–	–

The withholding tax relates to foreign dividends from AB InBev, which is not exempt as per Belgium Tax Law. The withholding tax is calculated as 30% foreign withholding tax and 5% local withholding tax of the dividends received from AB InBev.

19. Segment reporting

As at 30 June 2022, 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.

20. Going concern

The Company had an accumulated loss of R1 356 884 775 as at 30 June 2022 (December 2021: R749 265 820). As at 30 June 2022 the Company's current liabilities exceed its current assets by R151 844 682.

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.

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 R42 953 441 from AB InBev of which R 5 076 081 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.

21. Subsequent events

An amount of R17 132 742 was paid to preference shareholders to reduce the debt owing to the preference shareholders, on 4 August 2022.

There are no other material events that occurred during the period subsequent to 30 June 2022 and prior to these financial results being authorised for issue.

Notes to the condensed financial statements continued

22. Restatement relating to six-month period ended 30 June 2021

An error occurred in the condensed interim financial statements of SAB Zenzele Kabili for the six months ended 30 June 2021 whereby the preference share liability was initially recognised at the contractual value being R2 973 000 000 for the preference shares issued on 28 May 2021. In line with SAB Zenzele Kabili's accounting policy, liabilities should be recognized at fair value upon initial recognition and subsequently measured at amortised cost.

Management engaged an expert to determine the fair value upon initial recognition on 28 May 2021. This was corrected for the year ending 31 December 2021 and the financial statements for the year ended 31 December 2021 reflect the correct accounting treatment. No change to the 31 December 2021 comparative is required given that the preference shares were not in existence at that time.

However, the relevant line items in the 30 June 2021 published interim results do require a restatement and as a result the comparatives in the 30 June 2022 condensed interim financial statements have been restated.

The impact of the correction in the 30 June 2021 condensed interim financial statements is an increase in capital reserves of R608.7 million (from R811 million to R1.4 billion), a reduction in preference share liability of R593.3 million (from R3 billion to R2.4 billion), an increase in finance costs of R15.4 million (from R13.6 million to R29 million) and an increase in both basic loss per share and basic diluted loss per share of R0.38 (from R4.95 to R5.33). The adjustments are non-cash adjustments and therefore the cash flow statement has not been affected.

Please see the change to the relevant 30 June 2021 interim financial results below:

	For the six months ended 30 June 2021		
	Previously reported 30 June 2021 R'000	Error increase/ (decrease) R'000	Restated 30 June 2021 R'000
Statement of financial position (extract)			
Non-current liabilities			
Preference shares – cumulative redeemable	2 973 000	(593 279)	2 379 721
Net assets	2 973 000	(593 279)	2 379 721
Capital reserves	811 000	608 733	1 419 733
Accumulated loss	(201 426)	(15 455)	(216 881)
Total equity	2 231 574	593 278	2 824 852
Statement of profit or loss and other comprehensive income (extract)			
Finance costs	13 576	15 454	29 030
Loss for the period	(200 874)	(15 454)	(216 328)
Basic loss per share (Rand)	(4.95)	(0.38)	(5.33)
Diluted loss per share (Rand)	(4.95)	(0.38)	(5.33)