LIKE THE MIGHTY EAGLE WE RIDE THE STORM

ZB

Annual Report 2020

AB InBev Africa

OUR 10 PRINCIPLES

DREAM

1. **We dream big**. We are building a profitable, growth company.

PEOPLE

2. Our greatest strength is our people. Great people grow at the pace of their talents and are rewarded accordingly. **Great people deliver and transform.**
3. We recruit, develop and retain people who can be better than ourselves. We are measured by the quality **and diversity** of our teams.

CULTURE

4. We are a company of owners. Owners take results personally and **lead by example**.
5. We are never completely satisfied with our results. **We embrace change, take smart risks and learn from our mistakes**.
6. The consumer is our boss. **We go where consumers go, because that is where growth is**.
7. **We strive to be the best at serving and partnering with our customers, who are the gateway to our consumers.**
8. We believe in common sense and simplicity. **We operate with excellence and efficiency in all we do, always having our customers and consumers in mind**.
9. We manage our costs tightly to free up resources that will support profitable top line growth.
10. We never take shortcuts. Integrity, hard work, quality and responsibility are key to building our company and **our reputation**.

ZB ZAMBIAN BREWERIES PLC

The Company was established in Zambia in 1968 and its product range has grown to include clear beers such as Mosi Premium, Castle, Carling Black Label and Eagle lagers. Zambian Breweries Plc became part of Anheuser-Busch InBev (AB InBev) in October, 2016 the largest brewer in the world, with more than 400 beer brands and some 200,000 employees in over 50 countries.

This is the Annual Report of Zambian Breweries Plc for the year ended 31st December, 2020. This information may be updated or documented with the Securities and Exchange Commision or later amended if necessary, although Zambian Breweries Plc does not undertake to update any such information. The Annual Report is made available to all shareholders on the Lusaka Stock Exchange website (www.luse.co.zm). This report includes names of Zambian Breweries Plc products, which constitute trademarks or trade names which Zambian Breweries Plc owns, or which others own and license to Zambian Breweries Plc for use.

In this report, the term 'Company' and 'Zambian Breweries' refers to Zambian Breweries Plc, except as the context otherwise requires.

Zambian Breweries Plc's Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee applicable to companies reporting under IFRS. The Financial Statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). References to IFRS hereafter should be construed as references to IFRS as issued by the IASB.

Contents

1 Financial Highlights

(In Kwacha thousands)	Year Ended 31 March 2017*	Nine-months Ended 31 December 2017*	2018	2018**	2019	2020	Var.
Company Revenue (incl. Excise Duty)	2,494,328	1,986,512	2,843,168	2,278,035	2,640,037	3,031,587	15%
Company Revenue (Excl. Excise Duty)	1,974,021	1,561,138	2,200,228	1,787,264	2,092,589	2,305,425	10%
Operating Profit	360,957	366,017	1,610,040	299,282	331,954	22,902	-93%
Profit Before Income tax	185,806	320,029	1,618,942	317,711	356,882	8,485	-98%
Profit (loss) for the year	128,168	220,820	1,456,136	216,599	274,414	5,939	-98%
Total Assets	2,674,626	3,062,546	4,931,900	4,931,900	3,062,292	3,232,039	6%
Current liabilities	1,054,306	1,126,438	3,540,971	3,540,971	1,386,930	1,630,008	18%
Retained Earnings	1,208,034	1,428,854	309,633	309,633	584,047	535,385	-8%

*** Note change of financial reporting year in 2017**
**** Note adjustment of 2018 financials to exclude the Coke business, which was divested in December 2018**

K3.03
billion Company revenue (incl. excise duty)

K0.006
million Profit for the year

K22.9
million Operating Profit

K0.5
million Retained earnings

2 Business Overview

Chairperson’s Report

Dear Shareholders,

2020 has presented unprecedented challenges for all businesses globally, and despite Zambia’s relative resilience to the ravages for COVID-19 compared with many other countries, Zambian Breweries has shared the impact of this tumultuous shock.

We commend the Government of Zambia for acting relatively quickly to try to contain the outbreak, while recognising the need to strike a balance between managing the crisis and protecting the economy. Accordingly, restrictions were put into place but not a full lockdown like many of our neighbouring countries.

As part of Government restrictions, on-premise channels (bars, pubs, taverns, night clubs and others) were closed in March, and partially reopened for limited hours on Fridays, Saturdays and Sundays in September. Consumers were encouraged to drink from home and off-premise channels (distributors, wholesalers, liquor stores and supermarkets) remained open.

These measures had a dramatic effect on our consumers, on the operations of bar and nightclub owners, and inevitably on our business.

Economy

Largely as a result of COVID-19, Zambia’s GDP fell by 4.8% during the year.

Year-on-year inflation was 19.2% as of 31st December, 2020, with an indication of further escalation, which will indirectly erode consumer income, negatively affecting our sales volumes and revenue performance while inflating production costs, which were also affected by the depreciation of the Kwacha.

Strategic Review

Despite the enormous challenges, underlying demand for our products continued to rise, albeit with a shift towards more affordable brands such as Eagle lager.

We produced 2.3 million hectolitres, up 2% compared with 2019.

Zambian Breweries paid K583 million in excise tax to the Government – 6% more than in 2019 – and finished the year under review with net producer revenue of K2.3 billion, which was below budget but 10% higher than 2019.

Our contribution to the Treasury for corporate income tax in 2020 was K96 million.

Logistical challenges caused by COVID-19 related border closures in South Africa constrained the import of bottles to keep pace with demand, and the shortage was compounded by the move towards home consumption that took more returnable glass bottles than usual out of circulation.

This, coupled with the postponement of planned production expansion in the wake of the pandemic, led to shortages of beer and prompted some unscrupulous distributors and traders to take advantage of the situation to create artificial shortages and inflate prices, adding to the misery of already hard-pressed bar owners and causing a public outcry from consumers.

Dealing with this fallout has been the focus of our management and staff attention for most of the year, and I am pleased to say they performed commendably in what has been an incredibly challenging environment.

Zambian Breweries acted swiftly to engage with the Bar and Nightclub Owners Association to explain the challenges and educate trade on the need for integrity. We also increased awareness of our recommended retail price (RRP), within the legal guidelines that prevent us from dictating market price.

We launched our Chinja Botolo campaign, encouraging people to return bottles for cash, which gradually gathered pace.

While these challenges took up much of our focus, we continued to work closely with Zambia’s farmers, who supply the ingredients, including maize, barley, sorghum and cassava, for our locally produced beers. Partnerships with the UN World Food Programme and ZANACO helped strengthen farmer capacity further.

At a humanitarian level, we used our expertise to produce hand sanitiser for distribution at no cost, and distributed COVID-19 kits to bar owners comprising facemasks, posters, hand sanitiser and liquid soap.

Our staff were also a priority, and we provided free facemasks to 1,000 plus employees and their families along with mealie meal packs to unionised staff and members of our two women-led micro-small enterprises linked to the supply chain.

This year's crisis has confirmed the strength of Zambian Breweries' people and its brands, and it is testament to these that we have been able to report an operating profit of K23 million for the year to 31st December, 2020.

Finance

The Kwacha closed the year at K21.165 to the US dollar, depreciating 49% during 2020.

This had a significant negative impact on our costs, tightening margins as a result.

Under the current environment, our commitment to cost management and financial discipline is unwavering. We continue to proactively manage the factors within our influence to preserve our liquidity while supporting the long-term growth of our business.

During the year, the Company recognised an unrealised exchange loss of over K200 million on its foreign denominated, long outstanding balances due to its related parties. The loss was as a result of the devaluation of the Kwacha against foreign currencies such as the US dollar during the year. The business has since put in place a payment plan to clear these balances due over the next eight months with a mixture of both internally generated cash and bank facilities.

During the year, the Company paid off approximately half of the long outstanding balances due. A shortage of US dollars in the local market has been the key barrier to liquidating the balance.

Smart Drinking

Zambian Breweries stepped up its Smart Drinking programme this year against the backdrop of COVID-19 imperatives for social distancing and the need for greater awareness of safety.

At the centre of that was a high-profile #ResponsibleTogether sensitisation programme in which our Corporate Affairs and Marketing teams joined forces to tackle underage drinking, alcohol abuse, gender-based violence and drink driving by raising awareness of the issues and inviting consumers and celebrities to take a responsible drinking pledge.

This was reinforced with a series of virtual online social distance music events backed by our brands.

Stakeholder engagement was also ramped up, with partnership with the Ministry of Information and Broadcasting Services, Ministry of Health, Lusaka and Ndola City councils, and the Road Transport and Safety Agency (RTSA).

A key part of our Smart Drinking message emphasised the distinction between well-regulated clear beer and high alcohol illicit spirits known as tujilijili and junta.

We continued to engage youth through our Mentorship Programme, which includes various programmes on responsible alcohol consumption and underage drinking.

In March 2020 we handed over the refurbished Bauleni Youth and Sports Centre worth over K2 million to residents of Bauleni in Lusaka as part of the Company's commitment to combatting underage drinking.

Governance

I was pleased to welcome Obed Somali as an executive director during the course of the year. Obed has risen through various positions within the finance department and is now Country Lead Finance. Despite the challenges of the COVID-19 pandemic, I am proud to say that we were the first listed company to hold a digital Annual General Meeting to ensure compliance during the period when large gatherings were restricted. The Company's internal controls and structures are state of the art.

Outlook

This year has tested us all in many ways. We are inspired by the resilience of our people, our business and the performance of the beer sector despite the tough restrictions.

We remain cautious, however, about the outlook for the coming year.

The unsustainably high national debt will continue to put pressure on the Kwacha, which will mean higher production costs. We will continue to work on ways to best manage these costs without compromising on our superior product quality.

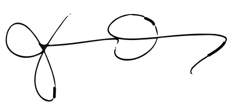
A second wave of the COVID-19 pandemic has seen continued tightening of the restricted trading conditions, affecting sales volumes.

That said, Zambian Breweries is well-positioned for a strong recovery. Our diverse portfolio of resilient and valuable local and international brands enables us to reach more consumers on more occasions.

Most importantly, we have a culture of ownership and a long-term mindset. Our people are rising to the challenge each day, demonstrating ingenuity, passion and strength to keep us moving forward.

We are privileged to lead the global beer category, a category that has existed for centuries through many crises and will continue to thrive long after the current crisis is behind us.

At the heart of our business is the ethos of bringing people together for a better world. As the world continues to face an extraordinary and unprecedented crisis, this purpose drives us as much as ever, even if it means finding new ways to be together. We once again extend our immense gratitude to those on the frontline, especially healthcare workers, for their commitment to keeping us, our families and our communities safe.



Monica Musonda
Chairperson of the Board of Directors

Country Director's Report

In an extremely challenging year, our teams rose to the occasion. The past year presented extraordinary circumstances for our business, colleagues and communities. This year we all had to come together to fight and survive a global pandemic; among many other challenges we also faced internally especially with our local economy and capacity constraints.

The challenges we faced over the last year have shown us that it is important to step back and acknowledge the lives around us, as well as those whom the pandemic has taken from us.

We extend our immense gratitude to those on the frontlines, particularly healthcare workers, for their commitment to keeping all of us safe, and to our teams who have been demonstrating tremendous resilience and agility as we continue to navigate the ongoing uncertain environment. We believe that a healthy and sustainable recovery can only be achieved when we work together with our partners, communities and consumers.

As Zambia joined the rest of the world in this global pandemic in March, our first priority at Zambian Breweries was to safeguard and protect the lives and health of our employees, stakeholders and the wider community. The measures we put in place – in line with Government guidelines - have been implemented to a high standard. We are grateful to all the teams responsible for adopting our safety protocols, but as we are witnessing across many geographies in the globe, a second wave of the virus remains prevalent and we cannot relax our guard.

Our second priority has been to sustain our business financially, mindful of our significant economic contribution in terms of taxes, direct and indirect employment, and farming programmes.

Financial Performance

Following a strong start to the year, our overall results in 2020 were significantly impacted by the disruption caused by the COVID-19 pandemic. I am humbled to report that despite the challenges of the past year, we have reported an increase of 10% in net revenue for the year to 31st December, 2020, compared with the same period of last year.

However, the steep depreciation of the Kwacha and the volatile inflationary environment faced during the period (fuel, energy, load shedding and raw materials shortages) eroded our margins significantly, with production costs rising 21% and variable distribution costs up 14% against prior year.

Gross margins were up 5% compared with the previous year because of cost escalation in the supply chain. Operating profit for the year was 93% below PY. Beside the negative impact of the variables mentioned above, operating profit was largely impacted by the exchange rate losses suffered throughout the year.

Commercial Performance

As was to be expected, because of COVID-19, trading activity fell dramatically in terms of both volume and sales mix in the first half of the year. More surprisingly, perhaps, the volume impact has been less than originally forecast, and we saw a steep recovery in the second half of the year.

Consumers rapidly adjusted to the new reality by shifting to in-home consumption occasions, increasing adoption of the e-commerce channels and finding new ways to connect with others, reinforcing our confidence in the long-term potential of the beer category.

Beer performance by brands was impacted by shortages on the market due to the capacity constraints we faced close to our peak period. Customers and consumers procured what was available on the market at any given time, regardless of the actual consumer preferences for these brands, with volume shifting across categories and brands.

Our resilience to market challenges was driven largely by our diversified brand portfolio, enabling us to optimize production to suit market demand and price points, while taking into account margin contributions.

We have to admit that we were not able to achieve our Zambia Dream of becoming a 3 million HL business by 2020, but we will continue to strive to reach this goal and so we must keep on working hard towards building and realising this Dream together. Next year we will endeavor to attain our goal.

Investment for the Future

During the year we have experienced significant capacity constraints due to the postponement of our planned capacity upgrade in 2020 mainly because of COVID-19 restrictions. I am pleased to say that those expansion plans for Zambia have since been confirmed and are expected to be implemented in 2021. This will increase production to meet demand and avoid any capacity-driven revenue loss.

2021 Outlook

While the ongoing disruption caused by the COVID-19 pandemic continues to create uncertainty, we expect our top and bottom line results in FY21 to improve meaningfully versus FY20. We expect topline growth from a healthy combination of volume, mix and price moderation, translating to bottom line growth.

We are fully aware that the financial pressures we are experiencing in our business are equally affecting our employees and consumers, as households face the rising cost of living, and we are deeply concerned by the deterioration of our consumers' disposable incomes, which is likely to worsen in 2021. However, we are very confident in the strength and resilience of our brands and the beer category as a whole.

We will continue to efficiently utilize our resources while fueling investments behind our brands. However, adverse macro-economics, coupled with transactional FX and commodity headwinds, will pressure our FY21 EBITDA margin. The outlook for FY21 reflects our current assessment of the scale and magnitude of the COVID-19 pandemic, which is subject to change as we continue to monitor ongoing developments.

Jose Moran Ramirez
Country Director

3 Sustainability Report

Our Dream is to Bring People Together for a Better World.

We are building a Company to last, brewing beer and building brands that will continue to bring people together for the next 100 years and beyond.

Zambian Breweries has aligned its Better World goals with the 2025 UN Sustainable Development Goals.

These goals encompass five pillars:

1 SMART AGRICULTURE

Our Goal: By 2025, 100% of our direct farmers will be skilled, connected, and financially empowered.

The COVID-19 pandemic has further amplified the importance of locally sourced raw materials in our operations. Despite the pandemic, Zambian Breweries has continued its commitment to providing a market and support for farmers, empowering small to medium-scale, as well as large-scale, local farmers with farming inputs and yield support.
To do this, in 2020 we embarked on the following initiatives:

- **Partnership with the WFP:** We have partnered with the UN World Food Programme to enable smallholder farmers to access high-yielding sorghum seed, training on crop management and insurance to protect their crops from climate shocks, as well as agricultural extension services and markets.
- **Crop Diversification:** We are working with Zamseed, Zanaco Bank and Silverlands Ranching to spearhead the cultivation of sorghum in Southern Province.
- **Cassava Farming:** We are providing a market for about 6,000 small-scale farmers who supply the raw materials for our affordable Eagle lager.
- **Digital financial skills:** We are empowering small-scale farmers with digital financial skills through our technology-based payment platform called BanQu.

2 SMART DRINKING

Goals: Reducing under-age drinking (through influencing social norms), strengthening and expanding marketing codes of practice, providing consumer information, responsible product innovation (through increasing alcohol literacy and expanding product portfolio) and reducing drinking and driving (through city pilots on road safety behaviour).

Our initiatives included:

- **#ResponsibleTogether campaign:** this created an open conversation on the negative effects of alcohol while offering solutions to curb associated ills in the community.
- **Road Safety Week:** We have continued to support the Road Transport and Safety Agency (RTSA) in promoting road safety ahead of the festive season
- **Sponsorship of the MISA Awards:** We sponsored the awards to encourage journalists to cover issues surrounding smart drinking and raise awareness of harmful beer-drinking practices through our support to the Media Institute of Southern Africa (MISA) Zambia awards.
- **Bauleni Recreational Facility handover:** The K2 million facility was handed over to the community to help community leaders in fighting underage drinking.

3 WATER STEWARDSHIP

Our Goal: 100% of our communities in high-stress areas will have measurably improved water availability and quality. Water is the largest input in the manufacturing of our products and we believe that water is a shared resource of which its access must be secured, particularly in high-stress areas.

Initiatives include:

- **Borehole Construction:** We are financing the construction of a borehole in support of Lusaka Water Supply and Sanitation Company that will benefit about 400,000 people with clean and safe drinking water in the George suburb of Lusaka.

4 CIRCULAR PACKAGING

Our Goal: 100% of our products will be in packaging that is returnable or made from a majority of recycled content. The COVID-19 'drink-at-home' message had left the Company short of recyclable bottles, which are vital to keeping the supply chain going. However, true to our principles, we have made strides to overcome this challenge.

Our initiatives include:

- **Chinja Botolo Campaign:** This proactive campaign provides an incentive for our customers to return bottles and crates that were kept at home during the lockdown months in exchange for cash.
- **Manja Pamodzi partnership with ZEMA:** The partnership through the Manja Pamodzi Foundation Limited (a community empowerment, waste management and recycling entity) engaged the media to highlight existing waste minimisation and recycling practices, in partnership with the Zambia Environmental Management Agency (ZEMA).
- **Introduction of BanQu to Manja Pamodzi:** Due to health measures brought about by COVID-19, we introduced the BanQu platform as a safer payment solution for paying recyclable waste collectors.

5 CLIMATE CHANGE

Our Goal: 100% of our purchased electricity will be from renewable sources and a 25% reduction in CO_2 emissions across our value chain (science-based).

Zambian Breweries' framework, Voyager Plant Optimisation (VPO), drives efficiency at our plants through uniform processes and measurable standards of operation, quality and safety, as well as consideration for the environment.

Despite the COVID-19 pandemic, 2020 was an eventful year that saw Zambian Breweries awarded for various projects and works the Company is engaged in. The awards include:

- **ZAPRA COVID-19 Communication Award:** Zambian Breweries was recognised for its work around sensitization, education and raising awareness of COVID-19 in the community. The Company was engaged in the production of hand sanitizers, distribution of face masks as well as publication of COVID-19 information leaflets, posters among other things
- **ZEMA Environmental Climate Change Awards:** Zambian Breweries was awarded by ZEMA for its work around Extended Producer Responsibility (EPR).

Further to these accolades, Zambia Breweries represented AB-InBev at the **75th UN General Assembly** discussing the Company's projects around circular economy and recycling, as well as water security and water stewardship.

4 Corporate Governance

Corporate Governance Statement

The impact of COVID-19 has affected all aspects of our business, including corporate governance. We are happy to report to our shareholders that we have been in the forefront of devising innovative technology-based solutions to continue giving value to investors, including hosting our Annual General Meeting online to ensure that we update stakeholders with relevant information during the period when large gatherings were restricted.

This year has also seen an emphasis on Data Privacy, and through our ABI University, employees have been able to access online training to understand the ethical aspects of the use of technology across our business.

At Group level, a Committee has been set up to provide a fresh look at diversity and inclusion, which has now been included in our Mission Statement and Goals. We have also rolled out policies on Anti-Harassment and Discrimination, and our People department continues to monitor gender balance in the recruitment process.

MISSION STATEMENT AND GOALS

The Company's Mission Statement and its goals were revised this year in order to place even more emphasis on our belief that success lies in both developing our people and putting our customers and the consumer at the forefront of our strategy.

THE BOARD, AUDIT AND MANAGEMENT COMMITTEES

The Board of Directors

Name	Position
Monica Musonda	Independent Non-Executive
Jito Kayumba	Independent Non-Executive
Jose Daniel Moran Ramirez	Executive
Mulwanda Sichula	Executive (resigned 26/03/20)
Obed Somali	Executive (appointed 01/09/20)
Derrick Jansen van Vuuren	Non-Executive

ATTENDANCE	28th February 2020	28th May 2020	30th July 2020	19th November 2020
Monica Musonda	✓	✓	✓	✓
Jito Kayumba	✓	✓	✓	✓
Obed Somali (appointed 01/09/20)	-	-	✓	✓
Jose Daniel Moran Ramirez	✓	✓	✓	✓
Mulwanda Sichula (resigned 26/03/20)	✓	-	-	-
Derrick Jansen van Vuuren	✓	-	✓	✓

The Board of Directors and Senior Management had oversight of our governance architecture, including: monitoring material breaches of our Code of Business Ethics through reports submitted to the Audit Committee; approving Company strategies; and monitoring performance against budget and Key Performance Indicators.

Both the Board and Audit Committee comprise independent non-executive members with a broad balance of skills, and knowledge of the business and the environment.

Nominations to the Board were approved by the full Board of Directors, taking into consideration the skills balance on the Board.

The Chairman of the Board is an independent non-executive Director and Board members retire and are re-elected at the Annual General Meeting in line with the Company's Articles of Association and the Companies Act.

The appointment of the statutory Auditor of the Company and the determination of the Auditor remuneration is approved by the Board and the shareholders in the Annual General Meeting.

The independent non-executive directors' remuneration is approved at the Annual General Meeting.

The separation of responsibilities between the Board Chair and the Country Director is set out in a formal Delegation of Authority document approved by the Board to ensure that no single individual has unfettered decision-making powers. Corporate Acts, Strategic Planning, Capital Expenditure and Annual Budget Approval, Asset Disposals, and Borrowing Powers remain the remit of the Board.

The Audit Committee

MEMBERS	
Jito Kayumba	Independent Non-Executive
Richard Rivett-Carnac	Non-Executive
Derrick van Vuuren	Non-Executive

ATTENDANCE	28th February 2020	30th July 2020
Jito Kayumba	✓	✓
Richard Rivett-Carnac	✓	-
Derrick van Vuuren	✓	✓

The Audit Committee sat to review, make recommendations and provide assurance to the Board as to the state of the Company's internal control environment and financial management adequacy. The Audit Committee relies on Management Representation Letters as signed by the function heads.

The Management Committee

MEMBERS	FUNCTION
Jose Daniel Moran Ramirez	Country Director
Mulwanda Sichula	Country Lead Finance (resigned)
Obed Somali	Country Lead Finance (appointed)
Sibajene Munkombwe	Head of Marketing
Lezanne van Zyl	Head of Logistics and Planning
Ezekiel Sekele	Corporate Affairs Director
Sharon Lima	Country Lead People
Siandele Matantilo/Simon Nyondo	Heads of Procurement
Lusa Sikwese	Lusaka Brewery Plant Manager
Darryl Denton	Ndola Brewery Plant Manager
Franz Schepping	Technical Director
Shula Kampamba	Head of Solutions
Deborah Bwalya	Legal Counsel

The Management Committee implements strategy and provides operational oversight. The Committee met on a monthly basis during the period under review. Each function head sits on the Management Committee and is accountable to the Board regarding compliance of operational risks and implementation of control measures.

INTERNAL CONTROLS

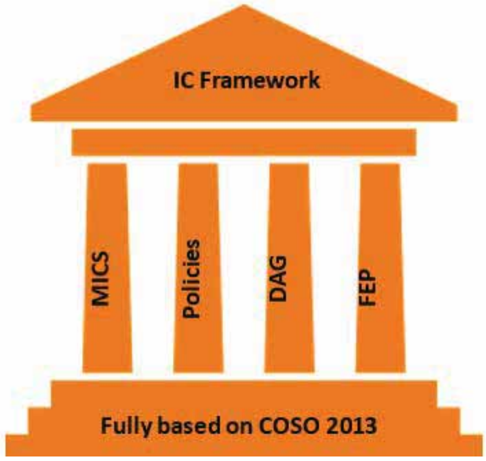
In compliance with recent guidelines issued by the Securities and Exchange Commission, we have benchmarked our internal controls against an international framework.

In compliance with the SEC requirements, Management of Zambian Breweries has assessed the Company's internal control over financial reporting as of 31 December 2020.

The Management of Zambian Breweries is responsible for establishing and maintaining adequate internal controls over financial reporting. To achieve this, it has adopted AB InBev's financial internal control framework. AB InBev's financial internal control framework is designed based on the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Internal Control – Integrated Framework 2013.

AB InBev's financial internal control framework is based on four pillars:

1. Minimum Internal Controls Standards (MICS) and the Sarbenes Oxley Act 2002 (SOX) Certification
    - COSO 2013
    - MICS
    - SOX
2. Global Internal Control policies
3. Delegation of Authority Guide (DAG)
4. Finance Excellence Program (FEP)



RISK ASSESSMENT

The Global Risk Management function conducts regular reviews in accordance with a risk-based plan approved by the Audit Committee, and reports its findings to the Management Committee and to the Board through the Audit Committee. The Risk Register is deliberated by the Audit Committee.

POLICIES

Code of Ethics The Code of Business Conduct and Ethics has been entrenched through e-training and cuts across all areas of our business. We must always adhere to the highest standards of business integrity and ethics, as well as respect and comply with all applicable national and supra-national laws and regulations.	**Global Whistleblower Policy** We believe that the true measure of success is not just the results we achieve, but how we achieve them. For this reason, there should be no gap between what we say and what we do. A crucially important element of this is the commitment to an open culture where people feel secure in seeking advice and raising concerns.
Human Rights Policy We are committed to business practices that support and respect human rights and align with the UN Global Compact principles. The policy sets out standards, expectations and commitments in relation to our responsibility to respect and promote human rights within our own Company and to not, knowingly, contribute to the violations of human rights by other parties.	**Anti-Harassment and Anti-Discrimination Policy** Our new anti-harassment and anti-discrimination policy aims to provide a workplace free from all forms of harassment, including unfair discrimination, sexual harassment and sexual misconduct. This Policy protects colleagues against inappropriate actions that are unwanted and unwelcome and which create an intimidating, offensive, or hostile work environment.

POLICIES CONTINUED

Global Responsible Sourcing Policy	Responsible Marketing and Communications Code
We look at our entire value chain for opportunities to reduce costs, limit environmental impacts and improve economic stability among our many suppliers and surrounding communities. Our third party contractors undertake to abide by our contractual provisions on ethical trading, including: Anti-Bribery, Human Rights and Labour Standards, Sustainable Development Priorities, No discrimination, submission to compliance and risk assessments, including the investigating and closing of any non-compliance issues and any ethically-related on-site audits.	As a leading brewer, we take great pride in producing and marketing our beers with quality and care. Our Responsible Marketing and Communications Code helps us strive to ensure that our communications are honest, truthful, in keeping with contemporary standards of good taste, and sensitive to cultural differences between markets. Compliance with the Code is mandatory for all of our marketing, sales, promotion and communications efforts, and includes both traditional, as well as digital media.
Environmental Policy	**Diversity and Inclusion**
Our dream is to be the Best Beer Company Bringing People Together for a Better World. In support of this dream, we will work vigorously to achieve a high standard of environmental performance throughout our organization.	We are committed to a work environment where all colleagues are respected and valued. We launched our first Global Diversity Policy in 2018 to provide guidelines for what is expected of all our leaders and colleagues to treat others with respect and cultivate, encourage, maintain and preserve an inclusive environment.

LEADERSHIP BY EXAMPLE - VOLUNTEERING - UBUNTU

We have a **Volunteering Policy** and we take a keen interest in employees' participation in voluntary initiatives to build communities through our Ubuntu programme.

Leadership by personal example is at the core of our culture. Employees have been actively involved in various humanitarian activities such as:

- Donation to the Arthur Davison Hospital in Ndola
- Donation of equipment to TEVETA – employees cleaned and restored the equipment
- Smart Drinking - at both our Ndola and Lusaka sites employees volunteered their time and social media platforms to spread the message of smart drinking as part of the #ResponsibleTogether campaign

OUR COMMITMENT TO ALCOHOL RESPONSIBILITY

At the core of the National Alcohol Policy is the upholding of human rights, including protection from abuse, the right to do legitimate business and consume alcohol in accordance with the law, recognizing the need for political will and leadership, a multi-sectorial, sustainable and public health oriented approach that is based on science and objective information. The Policy further focuses on education, treatment and rehabilitation of abusers of alcohol, and the role of statutory bodies and key players in implementing the legal framework. Despite lax enforcement of legislative measures regarding illicit alcohol, alcohol which is manufactured, distributed, sold legally and consumed responsibly is acceptable and contributes to revenue.

Under our Smart Drinking agenda and goals, we continue to liaise with various stakeholders, including Local Councils, the Ministry of Health, the Zambia Revenue Authority and the Ministry of National Guidance and Religion with the aim of collaborating to reduce the harmful effects of alcohol abuse. We believe that alcohol consumed in moderation creates social cohesion and our Smart Drinking programmes focus on driving consumer and general public behaviour change through engagement and awareness.

Our Smart Drinking Beliefs:

- We respect the rights of adults to choose to drink alcohol beverages – or to choose not to drink them
- We believe that all alcohol beverages sold in a society should be appropriately and effectively regulated
- We believe that alcohol consumption patterns are strongly influenced by cultural and religious factors
- We believe the most feasible and effective measures to reduce harmful use of alcohol are evidence-based, take into account drinking patterns and target specific problems
- We believe that governments, producers and other stakeholders need to work together more vigorously to reduce harm associated with "non-commercial" and unrecorded alcohol, given that it accounts for a significant proportion of all alcohol consumed
- We believe that reducing harmful use of alcohol will benefit society and our businesses alike

Our goals on Smart Drinking and initiatives have sought to:

- **Road Safety:** reduce harmful use of alcohol through collaborations with the local Road Safety and Transport Agency (RTSA)
- **Influencing Social Norms:** dedicated social marketing campaigns, retailer awareness and youth empowerment programs such as the #ResponsibleTogether campaign, the Mentorship Program and Chibolya Media Farm initiatives as well as retailer engagements in collaboration with Local Councils, which all seek to influence social norms and behaviours around alcohol consumption
- **Expanding Product Portfolio:** invest in research and market insights to create access to No- and Lower-Alcohol options giving consumers choice alternatives to the traditional clear beer
- **Increasing Alcohol Literacy:** enhance information sharing through our guidance labels and social platforms. Increase awareness amongst the youth and broader consumers on the dangers of alcohol abuse

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

"Safety First, Quality Always….."

The tool to achieving constant improvement in our operations is Voyager Plant Optimisation (VPO). The mantra "Safety First, Quality Always and VPO Forever", emphasizes the importance of the safety of our people in delivering consistent product to the satisfaction of the consumer.

What is VPO?

Voyager Plant Optimization (VPO) is the AB InBev way to operate our facilities and it has the objective of achieving the best results by creating a culture of continuous improvement and empowerment within the Supply Organization. It demands the disciplined execution of daily routines, the most efficient business processes, and the tracking of KPIs across each site.

Safety and Occupational Health

In our continued effort to improve our working environment and practices, the past year was no exception and continued training and the following initiatives further embedded our policies and procedures:

- **Contractor management** – improvement in compliance to risk assessments, safety plans and critical task execution
- Entrenchment of quarterly and pre–use lifting equipment inspections
- Improvement in **legal compliance** i.e. establishment of a database and creation of schedules using the Computerized Maintenance Management System, COSWIN, for annual inspection of pressure vessels on site

Quality:

The Company ensures that it maintains independent product certification for its manufacturing operations from Zambia Compulsory Standards Agency and international certification as set out below:

- ZS 430 Clear Beer Manufacturing
- ISO 9001 2015 Quality Management system
- ISO 14001 2015 Environmental Management system
- OHSAS 18001 2007 Occupational Health and Safety Management system
- ISO 22000 2005 Food Safety Management system
- FSSC 22000 Food Safety Management system

ACCOLADES AND AWARDS

- Public Relations Award for COVID-19 presented by the Zambia Public Relations Association (ZAPRA)
- Gold quality label at the Monde Selection International Quality Awards for Mosi Premium lager.
- First prize in the 2020 Standardisation, Quality Assurance, Accreditation and Metrology (SQAM) Southern African Development Community (SADC) Awards in the Product of Large Enterprise category.

SHAREHOLDER COMMUNICATION AND WIDER STAKEHOLDERS

We have appointed a dedicated Transfer Secretary for the timely disposal of shareholder enquiries and a broker in accordance with the LuSE regulations to ensure compliance and regular disclosure to the market. Our stakeholders extend from investors to our customers and consumers, Government bodies and agencies, regulators, civil society, suppliers, employees and the communities in which we operate. We have a dedicated Corporate Affairs Department which plans and implements the Company's engagement strategy in order to achieve our sustainability objectives.

COVID-19 RELIEF AID TO EMPLOYEES AND COMMUNITIES

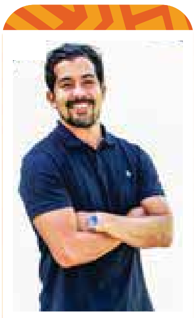
The following initiatives were undertaken:

- Donation of 2,000 litres of hand sanitizers to the Ministry of Health
- Partnership with the Ministry of Local Government, the Lusaka City Council and the World Wide Fund for Nature Zambia (WWF) to disinfect Munyaule market in Lusaka
- Donation of K1.4 million to the Lusaka Water Supply & Sanitation Company (LWSC) (the second and final payment to complete a project with a total cost of K2.3 million)
- Offer of assistance of usage of trucks to help Government distribute food and other materials to different parts of the Country in collaboration with the Disaster Mitigation and Management Unit
- 10 billboards mounted in Lusaka to enhance risk communication
- 6,000 posters were distributed (3,000 through the Company's sales force and 3,000 to the Ministry of Health).

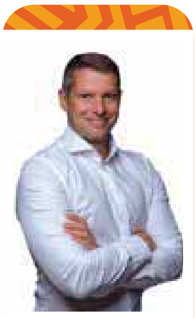
Board of Directors

Monica Musonda

Jito Kayumba



Jose Moran Ramirez



Derrick Jansen van Vuuren

Mulwanda Sichula

Obed Somali

Monica Musonda joined the Board as Chair in 2019. A corporate lawyer turned entrepreneur, she is founder of Java Foods, a local food processing company. She has over 16 years post-qualification experience, in the legal field in the office of the Attorney General of Zambia, in private practice at Clifford Chance, London, as a partner at Edward Nathan (Johannesburg), Senior Counsel at the International Finance Corporation and Director Legal and Corporate Affairs and General Counsel with the Dangote Group. She received the 2017 African Agribusiness Entrepreneur of the Year award, was a 2013 Young Global Leader (World Economic Forum) and is an Archbishop Desmond Tutu Leadership Fellow. She sits on the boards of various listed Zambian and South African companies. She holds an LLB from the University of Zambia and an LLM from the University of London.

Jito Kayumba was appointed to the Board in July 2019 and chairs the Audit Committee. He is a partner at Kukula Capital. As a seasoned investment professional he provides insight on development financing and investment in Africa at numerous global fora. He is also an advocate for innovative early childhood education and serves as Chairman of iSchool Zambia. He serves on boards in various sectors, including the Bank of Zambia and Pensions and Insurance Authority. He is a certified investment advisor, holds a degree in Political Science, specialising in Public Policy, Economics and Governance from Canada's Concordia University and a Master's degree in Business Administration from ALU School of Business.

Jose Moran joined the Board as an Executive Director in September 2017, with 20 years' experience, including diverse roles in the fast-moving consumer goods (FMCG) sector in both Latin America and Africa. Having begun his career in 2000 with Ernst and Young LLP in USA, Canada and Latin America in the audit field, he later joined the former SABMiller Group in 2007 in Latin America. He worked for several years as the Sales Director for AB InBev operations in Mozambique, before his appointment as Country Director for Zambian Breweries Plc.

Derrick Jansen van Vuuren was appointed to the Board in November 2018. He is currently Finance Director for the AB InBev Southern Africa Business Unit. He began his career in 2008 at KPMG in advisory and financial services. He initially took up a position with SABMiller in 2011 as Treasury Manager and progressed through various roles, including Operations Finance Manager, Africa Zero-Based Budgeting Manager and Acting Finance Director for Zambian Breweries Plc. He holds a certificate in the Theory of Accounting from the University of South Africa, a Bachelor of Commerce Accounting from the University of Potchefstroom and is a Chartered Accountant with the South African Institute of Chartered Accountants.

Mulwanda Sichula was appointed to the Management Committee in November, 2018, upon taking up the position of Country Lead Finance. He has ten years' experience in the finance and commercial functions. He began his career in 2008 as an Accounts Assistant and since held various roles in financial accounting, management accounting and commercial functions. He is a member of the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA). Mr Sichula resigned from the Board effective from 26 March 2020.

Obed was appointed as Country Lead Finance on 1st September, 2020 and appointed to the Board as an Executive Director on the same day. He joined the Company in 2013 and took on various roles in the Finance function, including Payables Accountant, Accounts Payables Supervisor, Acting Tax Manager, Treasury and Fixed Assets Manager, Planning and Performance Manager and Finance Manager. During this time he contributed to the business by developing initiatives aimed at improving cash flow forecasting and control as well as transforming the entire payment system from a quasi-electronic system to a fully functioning electronic-based payment system for improved visibility and reduced risks associated with cheque and cash transactions. He is an Associate Member of the Chartered Institute of Management Accountants (CIMA), the Zambia Institute of Chartered Accountants (ZiCA) as well as a Chartered Global Management Accountant.

Management Committee

Country Director

Country Lead Finance

Country Lead Finance

Head of Logistics and Planning

Jose Moran Ramirez
Jose joined the Company in September 2017, with 20 years' experience in the FMCG sector and the audit field. He worked as the Sales Director for AB InBev operations in Mozambique before his current appointment as Country Director.

Mulwanda Sichula
Resigned: 26th March 2020
Mulwanda was appointed to the Management Committee upon taking up the position of Country Lead Finance in November, 2018. He served ten years with the Company in the Finance and Commercial functions, before his resignation in 26th March 2020 . He is a member of the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA).

Obed Somali
Appointed Country Lead Finance 1st September, 2020
Obed was appointed as Country Lead Finance on 1st September, 2020. He joined the Company in 2013 and took on various roles in the Finance function. He is a CIMA Associate Member and a Graduate Member of ZICA. He is also a Chartered Global Management Accountant.

Lezanne van Zyl
Lezanne joined Zambian Breweries in 2017 following a 13 year career at Cargill Incorporated with extensive experience in commodity markets and supply chains. She now leads both the Sales and Operations Planning and Logistics functions. Lezanne holds a degree in BSc Agricultural Economics from the University of Pretoria.

Head of Procurement

Head of Procurement

Head of Marketing

Siandele Matantilo
Transferred to South Africa regional office on 1st March, 2021.
Siandele was appointed to the Management Committee in April 2018. He headed the Procurement function until his recent promotion to a regional role. He began his career in 2009 as a Project Accountant at Konkola Copper Mines Plc. He joined the Company in 2014 and has over nine years' experience in the Finance, Supply Chain and Procurement functions. Siandele is a Chartered Accountant and is a Fellow of ZICA and an Associate Member of the ACCA.

Simon Nyondo
Appointed: 1st October, 2020.
Simon took up the position of Country Procurement Manager in the course of the year and has over 5 years' management experience in the procurement function. He holds a Bachelor's degree in Purchasing and Supply Chain Management from the Copperbelt University. He is also a full member of the Zambia Institute of Purchasing and Supply.

Sibajene Munkombwe
Sibajene Munkombwe was appointed Country Head of Marketing in January 2018. He joined the business in 2012 as Marketing Insights Manager and Business Planning Manager, having held diverse positions mainly in the Government and NGO sectors. He has a degree in Business Administration from the Copperbelt University. He is a member of the Zambia Institute of Marketing.

Management Committee Continued

Country Lead People

Sharon Lima

Sharon Lima joined the Company and the Management Committee as Country Lead People in May 2019, bringing six years' experience in the Human Resources field, with a background of eight years in the UK Civil Service. Sharon holds a BA Hons degree in Human Resources and Business Law from the University of North London, UK (2001) and she is a member of the Zambia Institute of Human Resources Management.

Plant Manager Lusaka

Lusa Sikwese

Lusa has extensive experience in mining and manufacturing. He has worked in various technical functions at senior management level in process plants in Konkola Copper Mines Plc, Lafarge Cement Plc and Zambia Breweries Plc. He has had international exposure at Sterlite Copper in India, Codelco and Chargrass Smelters Chile, KGHM Polska Meiz Smelter in Poland, Autokumpu in Finland, and Tychy & Plzen Breweries in Europe. He holds a BEng Mechanical Engineering from the University of Zambia.

Plant Manager Ndola

Darryl Denton

Darryl joined AB InBev in 2016 and took up the position of Plant Manager at the Ndola brewery in 2018. He has 27 years of manufacturing and warehousing/distribution experience in the FMCG industry. He holds a Production and Inventory Management Certificate from the American Production and Inventory Control Society and a Supply Chain Diploma from the South African Production and Inventory Control Society, and undertook a Wort Production Module at the Institute of Brewing in London.

Company Secretary / Legal Counsel

Deborah Bwalya

Deborah joined the Company in 2014 as Legal Counsel and Company Secretary. She has fifteen years' experience in the legal profession, working in private practice and at Konkola Copper Mines Plc. She is an Advocate of the High Court of Zambia, a Chartered Company Secretary with the UK Institute of Chartered Secretaries and Administrators and holds an MBA from the University of Birmingham in the UK and an LLM in International Economic Law from the University of South Africa.

Technical Director

Franz Schepping

Franz was appointed Technical and Supply Chain Director for Zambian Breweries Plc in December 2011. He has an extensive career globally in brewing. He holds a Master's Degree from the Technical University in Munich in Brewing and Beverage Technology.

Head of Solutions

Shula Kampamba

Shula took up the position of Head of Solutions in 2018 and was appointed to the Management Committee in 2019, having joined Zambian Breweries Plc in 2014. Shula has 20 years' experience in the Information Technology sector. He holds a BSc in Computing and an MSc in Information Systems from the University of Greenwich, UK (2013).

Corporate Affairs Director

Ezekiel Sekele

Ezekiel was appointed Corporate Affairs Director in April 2015. He Joined the Company in January 2004 and has over 15 years' experience in the Finance and Corporate Affairs functions. He is a Fellow of ZICA and ACCA, Associate member of the Chartered Governance Institute (ICSA UK), holds a post-graduate Diploma in Corporate Governance, Masters of Commerce in Development Finance (University of Cape Town) and a Global MBA (Oxford Brookes University, UK).

Annual Report of the Directors of the Board

The Directors submit their Annual Report together with the audited Annual Financial Statements for the year ended 31 December 2020, which disclose the state of affairs and performance of Zambian Breweries Plc (the "Company").

Principal activities

The principal activities of the Company are the manufacture and distribution of alcoholic beverages.

Share capital and beneficial ownership information

The authorised share capital of the Company remained unchanged at 600,000,000 ordinary shares of K0.01 each. The issued and fully paid-up share capital remained at 546,000,000 ordinary shares of K0.01 each.

The Company shareholding and beneficial ownership is represented as follows:

Name of shareholder	Percentage of shareholding	Beneficial Ownership
AB InBev Africa BV	87.13%	AB InBev Africa BV
Public Free Float	12.87%	Public Free Float

There were no significant changes in the beneficial ownership during the year.

Significant events during the year

The year was dominated by the impact of the COVID-19 pandemic and the partial closure of bars and nightclubs.

Results and dividend

	2020 K'000	2019 K'000
Profit for the year	5,939	274,414
Retained earnings	535,385	584,047

The profit for the year has been added to retained earnings. For the year ended 31 December 2020, the Directors do not recommend the payment of a dividend (2019: recommended payment of K54.6 million, representing a dividend of K0.10 per share).

Directors and remuneration

The Directors who held office during the year and to the date of this report were:

Name	Position	Appointment	Resignation
Monica Musonda	Independent Non-Executive		
Jito Kayumba	Independent Non-Executive		
Jose Daniel Moran Ramirez	Executive		
Mulwanda Sichula	Executive		26 March 2020
Obed Somali	Executive	17 September 2020	
Derrick Jansen van Vuuren	Non-Executive		
Pedro Cruz	Non-Executive		5 February 2020

During the year, the total Directors' remuneration was K4.1 million (2019: K4.2 million), which comprised of K3.6 million (2019: K3.5 million) for services rendered by executive Directors, and K0.5 million (2019: K0.6 million) for services rendered by non-executive Directors.

Interests Register Information

During the year, the Company officers (Directors, Company Secretary or executive officers of the Company) did not declare any material interests in the Company's transactions and business.

The Interests Register, as required by the Companies Act, 2017 of Zambia, that should contain particulars of the interests declared, is available for inspection at the Company's registered office.

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K114.2 million (2019:K116.5 million) and the average number of employees was as follows:

Month	Average Number	Month	Average Number
January	965	July	924
February	949	August	917
March	942	September	914
April	940	October	910
May	933	November	903
June	930	December	904

Safety

The Company has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

Gifts and donations

During the year the Company made donations of K4.2 million (2019: K1.5 million) to charitable organisations and events.

Research and development

The Company did not incur any costs on research and development during the year (2019: Nil).

Exports

The Company did not export any goods or services during the year (2019: Nil).

Property, plant and equipment

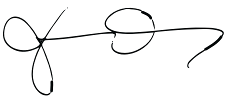
The Company purchased property, plant and equipment amounting to K297.5 million (2019: K575.7 million) during the year. In the opinion of the Directors the carrying value of property, plant and equipment is not more than their recoverable value.

Company auditor and remuneration

The Auditor, PricewaterhouseCoopers Zambia, has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next Annual General Meeting.

The Auditor remuneration for the year was K1.6 million (2019:K1.2 million). This related to audit services rendered to the Company.

Signed on behalf of the Board of Directors:



Monica Musonda
Chairperson of the Board

3rd March 2021

Jose Daniel Moran Ramirez
Country Director

3rd March 2021

Statement of Directors' Responsibilities

For the year ended 31 December 2020

The Companies Act, 2017 of Zambia requires the Directors to prepare Annual Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose with reasonable accuracy the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Sections 82 to 112 of Part VII of the Companies Act, 2017 of Zambia and the Securities Act, 2016 of Zambia.

The Directors accept responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable estimates in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the the Securities Act, 2016 of Zambia.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the Annual Financial Statements, and for such internal controls as the Directors determine necessary to enable the preparation of the Annual Financial Statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the Annual Financial Statements set out on pages 31 to 70 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS as issued by the IASB and the Companies Act, 2017 of Zambia and the the Securities Act, 2016 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 112 of Part VII of the Companies Act, 2017 of Zambia.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of these Annual Financial Statements.

Signed on their behalf by:

Monica Musonda
Chairperson of the Board

3rd March 2021

Jose Daniel Moran Ramirez
Country Director

3rd March 2021

5 Independent Auditor's Report and Annual Financial Statements

Independent Auditor's Report

To the Shareholders of Zambian Breweries Plc

Report on the audit of the Annual Financial Statements

Our opinion

In our opinion, the Annual Financial Statements give a true and fair view of the financial position of Zambian Breweries Plc (the "Company") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia and the Securities Act, 2016 of Zambia.

What we have audited

Zambian Breweries Plc's Annual Financial Statements are set out on pages 31 to 70 and comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Annual Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, PwC Place, Stand No. 2374, Thabo Mbeki Road, P.O. Box 30942, Lusaka, Zambia
T: +260 (0) 211 334000, F: +260 (0) 211 256474, www.pwc.com/zm

A list of Partners is available from the address above

Report on the audit of the Annual Financial Statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Financial Statements of the current period. These matters were addressed in the context of our audit of the Annual Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment The annual impairment assessment of goodwill requires the application of assumptions and judgements in order to estimate the recoverable amount of the Cash Generating Units (CGUs) to which the goodwill recognised is attributed. The recoverable amount of the CGU has been determined based on a value in use calculation. Key assumptions used in the calculation include: estimating the cash flows that will be generated in the future; estimating the long-term growth rate; and determining the discount rate to be used. We determined this to be an area of focus for the audit on account of the significance of the judgments applied by the Directors in determining the recoverable amount of this Cash Generating Unit ("CGU"). See note 18 on pages 63 to 64 of the Annual Financial Statements.	In assessing the reasonableness of the assumptions applied by the directors, we performed the following procedures: • agreed the cash flow forecasts to the most recently approved budgets; • tested the appropriateness of assumptions applied and accuracy of data used in preparing the cash flow forecasts and company budget; • agreed the projected future cash inflows and outflows arising for capital expenditure investments to the approved schedule of commitments; • tested the long-term growth rate against historical growth rate of the business; • assessed the determined discount rate to ensure it was representative of the current market assessments for the time value of money and risks specific to the CGU; • evaluated the sensitivity of the Company's goodwill to fluctuations in the key assumptions applied to ascertain the extent to which the key inputs would have to change before goodwill would be considered impaired; • tested the mathematical accuracy of the goodwill assessment performed and agreed information used to the general ledger; and • reviewed the adequacy and appropriateness of the disclosures included within the annual financial statements relating to goodwill.

Report on the audit of the Annual Financial Statements (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Company's Annual Report but does not include the Annual Financial Statements and our auditor's report thereon.

Our opinion on the Annual Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Annual Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The Directors are responsible for the preparation of Annual Financial Statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia and the Securities Act, 2016 of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Financial Statements.

Report on the audit of the Annual Financial Statements (continued)

Auditor's responsibilities for the audit of the Annual Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board Audit Committee, we determine those matters that were of most significance in the audit of the Annual Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of Zambian Breweries Plc, we report on whether:

i. as required by section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Company Auditor, have in the Company;

ii. as required by section 259 (3)(b), there are serious breaches by the Company's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017of Zambia; and

iii. in accordance with section 250 (2), as regards loans made to a Company Officer (a director, company secretary or executive officer of the company), the Company does not state the:

- particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
- amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

In respect of the foregoing requirements, we have no matters to report.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Chibuye.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

5 March 2021

Andrew Chibuye
Practicing Certificate Number: AUD/F002378
Partner signing on behalf of the firm


MOSI

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Statement of profit or loss and other comprehensive income

	Notes	For the year ended 31 December 2020	2019
Revenue from contracts with customers	6	2,305,425	2,092,589
Cost of sales		(1,346,701)	(1,175,799)
Gross profit		**958,724**	**916,790**
Distribution costs		(178,028)	(140,264)
Administrative expenses		(302,323)	(403,055)
Impairment credit / (charge) on financial assets		3,002	(1,802)
Other income	7	697	26,876
Other expenses	8	(459,170)	(66,591)
Operating profit		**22,902**	**331,954**
Finance income	11	1,557	55,036
Finance costs	11	(15,974)	(30,108)
Finance (costs) / income - net		(14,417)	24,928
Profit before income tax		**8,485**	**356,882**
Income tax expense	12	(2,546)	(82,468)
Profit for the year		**5,939**	**274,414**
Other comprehensive income		-	-
Total comprehensive income for the year		**5,939**	**274,414**
Earnings per share for profit attributable to the equity holders of the Company			
Basic and diluted *(Kwacha per share)*	14	0.01	0.50

The notes on pages 35 to 70 are an integral part of these Annual Financial Statements.

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Statement of financial position

	Notes	As at 31 December 2020	2019
Capital and reserves attributable to the Company's equity holders			
Share capital	15	5,460	5,460
Share premium	15	450,207	450,207
Retained earnings		535,385	584,047
		991,052	1,039,714
Non-current liabilities			
Deferred income tax	13	610,979	635,648
		610,979	635,648
Total equity and non-current liabilities		**1,602,031**	**1,675,362**
Non-current assets			
Prperty, plant and equipment	17	2,149,855	2,059,246
Intangible assets	18	22,816	24,601
Account receivable		2,095	-
		2,174,766	2,083,847
Current assets			
Inventories	19	426,640	486,667
Trade and other receivables	20	150,474	255,294
Current income tax	12	79,152	10,542
Cash and cash equivalents	21	401,007	225,942
		1,057,273	978,445
Current liabilities			
Borrowings	22	35,000	32,761
Trade and other paybles	23	1,595,008	1,354,169
		1,630,008	1,386,930
Total assets less current liabilities		**1,602,031**	**1,675,362**

The notes on pages 35 to 70 are an integral part of these Annual Financial Statements.

The Annual Financial Statements on pages 31 to 70 were approved for issue by the Board of Directors and signed on its behalf by:

Monica Musonda
Chairperson of the Board

Jose Daniel Moran Ramirez
Country Director

26 February 2021

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
Year ended 31 December 2019				
At start of year	5,460	450,207	309,633	765,300
Comprehensive income:				
Profit for the year	-	-	274,414	274,414
Total comprehensive income for the year	-	-	274,414	274,414
At end of year	5,460	450,207	584,047	1,039,714
Year ended 31 December 2020				
At start of year	5,460	450,207	584,047	1,039,714
Comprehensive income:				
Profit for the year	-	-	5,939	5,939
Total comprehensive income for the year	-	-	5,939	5,939
Transactions with owners:				
Dividend approved	-	-	(54,601)	(54,601)
Total transactions with owners	-	-	(54,601)	(54,601)
At end of year	5,460	450,207	535,385	991,052

The notes on pages 35 to 70 are an integral part of these Annual Financial Statements.

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Statement of cash flows

	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	24	592,642	474,492
Interest received		197	31,325
Interest paid		(15,974)	(30,108)
Income tax paid		(95,825)	(110,989)
Net cash flows from operating activities		481,040	364,720
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(297,492)	(575,726)
Proceeds from sale of property, plant and equipment		697	514
Purchase of intangible assets	18	(951)	(5,447)
Adavnce of loan to related party		(2,095)	-
Net cash flows from investing activities		(299,841)	(580,659)
Cash flows from financing activities			
Proceeds from borrowings	22	35,000	-
Dividends paid		(9,733)	(2,009,283)
Net cash flows from financing activities		25,267	(2,009,283)
Increase / (decrease) in cash and cash equivalents		206,466	(2,225,222)
Movement in cash and cash equivalents:			
Cash and cash equivalents at beginning of year		193,181	2,397,522
Increase / (decrease) in cash and cash equivalents		206,466	(2,225,222)
Effects of exchange rate changes on cash and cash equivalents		1,360	20,881
Cash and cash equivalents at end of year	21	401,007	193,181

The notes on pages 35 to 70 are an integral part of these Annual Financial Statements.

Notes to the Annual Financial Statements

1 General information

Zambian Breweries Plc (the "Company") was incorporated in Zambia under the Companies Act of Zambia as a public company, listed on the Lusaka Stock Exchange and is domiciled in Zambia. The address of its registered office is:

Plot Number 6438, Mungwi Road
Heavy Industrial Area, Lusaka

The principal activities of the Company are the manufacture and distribution of alcoholic beverages. There has been no significant change in the Company's business during the year.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Annual Financial Statements (the "Financial Statements") are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee applicable to companies reporting under IFRS. The Financial Statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Financial Statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The Financial Statements are presented in Zambian Kwacha ("K"), rounded to the nearest thousand. In accordance with the Companies Act, 2017 of Zambia, the Financial Statements for the period ended 31 December 2020 have been approved for issue by the Directors. Neither the entity's owner nor others have the power to amend the Financial Statements after issue.

The preparation of Financial Statements in conformity with IFRS as issued by the IASB requires the use of certain critical accounting estimates. It also requires Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 3 to the Financial Statements.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors have no doubt that the Company will remain in existence after 12 months from the date of these Financial Statements.

2.2 Changes in accounting policy and disclosures

a) New and amended accounting standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Revised Conceptual Framework for Financial Reporting

The adoption of the above accounting standards and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

b) New accounting standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. Below is a summary of the standards which are applicable to reporting periods commencing on or after the given effective date.

Title	Key requirement	Effective date
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* . In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.	1 January 2022 [possibly deferred to 1 January 2023]
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies* . The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

b) New accounting standards and interpretations not yet adopted by the Company (continued)

Title	Key requirement	Effective date
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions and is the Company's key management personnel. The Executive Committee consists of the following personnel:

- Country Director
- Technical Director
- Country Lead People
- Head of Solutions
- Corporate Affairs Director
- Head of Procurement
- Head of Logistics and Planning
- Country Lead Finance
- Head of Marketing

The notes on pages 42 to 74 are an integral part of these Annual Financial Statements.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Zambian Kwacha ("K") which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in statement of profit or loss within 'finance income or finance cost'. All other foreign exchange gains and losses are presented in the profit or loss within other income/expenses.

2.5 Revenue from contracts with customers

Revenue comprises consideration received or receivable on contracts entered into with customers for the sale of goods and services in the ordinary course of the Company's activities.

Revenue is recorded net of taxes, discounts and after eliminated sales within the Company. Revenue is recognised when the Company satisfies its performance obligations as set out in the contracts entered into with its customers.

Revenue is recognised at the amount of the transaction price that is allocated to each of the performance obligations per the contract with customers. The transaction price is determined at an amount that depicts the consideration to which the Company expects to be entitled to in exchange for transferring the goods and services promised to the customer. In most cases, this amount equals the cash consideration however where non-cash consideration is received the fair value of such consideration is used.

The principles in IFRS 15 are applied using the following five-step model:

1 - Identify the contract(s) with a customer.
2 - Identify the performance obligations in the contract.
3 - Determine the transaction price.
4 - Allocate the transaction price to the performance obligations in the contract.
5 - Recognise revenue when or as the entity satisfies its performance obligations.

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. This includes principal and agent considerations.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.5 Revenue from contracts with customers (continued)

The Company's contracts with customers are largely standardised per revenue stream and contracts often consist of the Company's standard terms and conditions which accompanies every quote and invoice presented to a customer. The Company's revenue could be aggregated into the following main categories:

Sale of goods - wholesale

The Company manufactures and sells beverages in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesale customer, the wholesale customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesale customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract net of the estimated volume, wholesale and price discounts. Accumulated experience is used to estimate and provide for discounts and returns. The volume discounts are assessed based on actual purchases.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of goods - retail

Revenue from the sale of goods is recognised when a Company sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store.

2.6 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within trade and other payables in the statement of financial position.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.6 Employee benefits (continued)

Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees also contribute to the National Pension Scheme Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are charged to profit or loss in the year in which they fall due.

2.7 Interest income

Interest income from financial assets is recognised using the effective interest method and included in finance income recognised in profit or loss.

2.8 Income tax

The income tax expense or credit for the period comprises current and deferred income tax. Current and deferred income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

When there is an uncertainty over income tax treatments, the Company recognises and measures its current and deferred income asset or liability based on an approach which better predicts the resolution of the uncertainty. In determining the approach, the Company considers how it prepares its income tax filings and supports the tax treatments or how it expects the taxation authority to make its examinations and resolve issues that might arise from that examination.

Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.8 Income tax (continued)

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Financial Statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.9 Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.10 Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and are subsequently measured at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	25 - 40 years	Motor vehicles	4 - 5 years
Plant and machinery	15 - 20 years	Furniture & fittings and computer equipment	5 - 10 years
Containers and crates	3 - 5 years		

The asset's residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets classified as capital work in progress are not depreciated.

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of plant and equipment are determined by comparing the proceeds to their carrying amount and are included in profit or loss.

2.11 Intangible assets

i) Goodwill

Goodwill arose on the acquisition of subsidiaries and represented the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. On hive-up of operations, the Company allocated the goodwill to the operating segment or the CGU at alcoholic and non-alcoholic segments.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from the synergies of the combination. The unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill recognised has an indefinite useful life on which impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

In determining the useful life of Goodwill, the Directors have taken into consideration the following factors:

- The expected usage by the entity - the entity expects to make use of the assets for an indefinite period of time. In this regard, the entity has made massive investments in terms of plant and equipment over the years to ensure that the entity's operations continue.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.11 Intangible assets (continued)

i) Goodwill (continued)

- The typical product life cycle for the assets and published information about useful lives of similar assets that are used in a similar way - the treatment adopted by the Directors is in line with companies in the similar businesses in the same industry.
- The stability of the industry in which the asset operates and changes in market demand for the products or services from or related to the asset - Directors are of the view that the industry in which the entity operates is stable and hence the assets are more likely to be of use indefinitely.
- Expected actions by actual or potential competitors - there are no actual or potential competitors that will affect the market share of the entity.

ii) Computer software

Computer software is stated at historical cost less accumulated amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Directly attributable costs that are capitalised as part of computer software include an approximate portion of overheads. Computer software is amortised over its useful life of 3 years.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials, work in progress (WIP), finished goods and engineering spares is determined using the weighted average cost method less provision for impairment. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

A provision for inventory is recognised when the inventory item is both financially and technically obsolete. In determining the financial and technical obsolescence of an item, management considers each item for which no movement has been noted and then determines whether this item can be used. If the item is unusable, management provides for the full amount.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 4(b).

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as other income or finance costs.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.17 Borrowings (continued)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.19 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.19 Financial assets (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.20 Financial liabilities

Financial liabilities of the Company are classified and subsequently measured at amortised cost net of directly attributable transaction costs.

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

2.21 Impairment of non-financial assets

Non-financial assets, other than goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable which is the higher of an asset’s fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – “CGU”).

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to its revised of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss occurred in prior years. An impairment loss reversal is recognised as income immediately in the statement of profit or loss and other comprehensive income.

Notes to the Annual Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.22 Share capital and share premium

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from share premium. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's holders.

2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.24 Leases

The Company leases various properties as need arises. Rental contracts are typically made for fixed periods of 1 - 2 years.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options may be included in leases as these are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

2.25 Comparatives

Under IAS 1, comparative information must be provided for all amounts reported in the Financial Statements, except when a standard provides otherwise. IAS 1 further states that comparative information should also be provided for narrative and descriptive information when it is relevant to an understanding of the current period's Financial Statements.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

3 Critical accounting estimates and judgements

The preparation of Financial Statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Directors also needs to exercise judgement in applying the Company's accounting policies.

Notes to the Annual Financial Statements (continued)

3 Critical accounting estimates and judgements (continued)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with accounting policy stated in Note 2. The recoverable amount of cash-generating units have been determined using the value in use model and the fair value less costs to sell model. The assumptions used in the calculations are set out in note 18.

ii) Income taxes

Significant judgment is required in determining the provision for income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Specifically, the Directors have applied judgment in determining an appropriate approach of applying the Zambia Development Agency (ZDA) tax incentives in computing current and deferred income taxes for the year.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the current income tax and deferred income tax provisions in the period in which such determination is made. The nature and amounts estimated for the current income tax and deferred income tax are set out in notes 12 and 13 respectively.

The Company has recognised a deferred tax asset in relation to the carried forward tax loss of the Company. The Directors have concluded that the deferred tax asset will be recoverable using the estimate future taxable income based on approved business plans and budgets.

ii) Impairment provision of financial assets

The Company applies the IFRS 9 simplified approach to measuring the expected credit loss (ECL) which uses a lifetime expected loss allowance for its trade receivable. The measurement of the ECL allowance for trade receivables, is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

The expected loss rate determined for the trade receivable is based on the expected loss over time from delayed payments of the customer. The expected loss rate takes into account both current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivable.

Significant judgement is required in applying the requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing an appropriate model and assumptions for the measurement of the ECL; and
- Establishing the number and relative weightings of forward looking scenarios.

Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 4(b).

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

4 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's risk management framework and governance structures are intended to provide comprehensive controls and ongoing management of its major risks. The Board of Directors exercises oversight through delegation from the Board to various sub-committees, notably the Audit Committee and the Executive Committee, which are organised in line with risk management policies of AB InBev, the ultimate parent company.

Financial risk management is carried out by the finance department and AB InBev under policies approved by the Board of Directors. An overview of the key aspects of risk management and use of financial instruments is provided below.

a) Market risk

The significant market risks to which the Company is exposed are foreign exchange risk and interest rate risk.

i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), South African Rand (ZAR) and Euro (EUR). Foreign exchange risk arises from recognised assets and liabilities.

The Company's policy is to continuously monitor markets and purchase any foreign currency required at the spot rate. Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for transactions denominated in foreign currency.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Zambian Kwacha is detailed in the table below.

	Exposure in			
	ZAR	**USD**	**EUR**	**Total**
At 31 December 2020				
Financial assets/ (liabilities)				
Cash and cash equivalents	12,505	16,082	14,757	43,344
Other receivable	1,568	9	-	1,577
Trade and other payable	(464,042)	(383,851)	(28,223)	(876,116)
Net monetary assets/ (liabilities)	(449,969)	(367,760)	(13,466)	(831,195)
At 31 December 2020				
Financial assets/ (liabilities)				
Cash and cash equivalents	33,961	42,280	6,482	82,723
Other receivable	3,355	-	-	3,355
Trade and other payable	(554,096)	(46,497)	(35,831)	(636,424)
Net monetary assets/ (liabilities)	(516,780)	(4,217)	(29,349)	(550,346)

Notes to the Annual Financial Statements (continued)

4 Financial risk management (continued)

a) Market risk (continued)

i) Foreign exchange risk (continued)

At 31 December 2020, if the Zambian Kwacha had weakened/strengthened by 8% (2019: 5%) against the South African Rand (ZAR) with all other variables held constant, the effect on post-tax profit for the year and shareholders' equity would have been K36.0 million (2019: K25.8 million) higher/lower, mainly as a result of the ZAR denominated trade payables, other receivables and bank balances.

At 31 December 2020, if the Zambian Kwacha had weakened/strengthened by 13% (2019: 5%) against the United States Dollar (USD) with all other variables held constant, the effect on post-tax profit for the year and shareholders' equity would have been K47.8 million (2019: K0.2 million) higher/lower, mainly as a result of the USD denominated trade payables and bank balances.

At 31 December 2020, if the Zambian Kwacha had weakened/strengthened by 10% (2019: 5%) against the South African Rand (ZAR) with all other variables held constant, the effect on post-tax profit for the year and shareholders' equity would have been K1.3 million (2019: K1.5 million) higher/lower, mainly as a result of the ZAR denominated trade payables and bank balances.

ii) Cash flow and fair value Interest rate risk

The Company's interest rate risk arises primarily from interest paid on floating rate borrowings. The floating rate borrowings expose the Company to cash flow interest rate risk.

As at 31 December 2020, with other variables unchanged, a 2% (2019: 2%) decrease/increase in the base interest rate would have resulted in an immaterial (2018: Immaterial) change in post-tax profit for the year and shareholders' equity.

iii) Commodity price risk

The Company is not exposed to commodity price risk.

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Notes to the Annual Financial Statements (continued)

4 Financial risk management (continued)

b) Credit risk (continued)

i) Risk Management

Credit risk is managed by management under policies approved by the Board. For banks and financial institutions, only reputable well established institutions are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, senior management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by customers is regularly monitored by line management.

Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

ii) Security

For some trade receivables the Company may obtain security in the form of guarantees or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

iii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:
- Trade receivables; and
- Other financial assets at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 the identified impairment loss was immaterial.

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for the trade receivables.

To measure the expected credit loss trade receivables are grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 4 years before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debt owed to the Company. The Company has identified the GDP, inflation and the exchange rate of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

4 Financial risk management (continued)

b) Credit risk (continued)

iii) Impairment of financial assets (continued)

Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
31 December 2020						
Gross carrying amount	91,553	1,480	2,130	906	11,150	107,219
Expected loss rate	3.1%	38.7%	64.0%	82.3%	100.0%	
Loss allowance	2,837	573	1,364	746	11,150	16,670
31 December 2019						
Gross carrying amount	101,551	23,567	12,279	10,074	27,061	174,532
Expected loss rate	0.20%	2.35%	43.43%	6.30%	47.85%	
Loss allowance	200	554	5,333	635	12,950	19,672

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowance as follows:

	2020	2019
Opening loss allowance at 1 January	19,672	17,870
(Decrease) / increase in loss allowance recognised in profit or loss during the year	(3,002)	1,802
Closing loss allowance at 31 December	16,670	19,672

The loss allowance recognised is categorised as follows:

	2020	2019
Performing	5,520	6,722
Non-performing	11,150	12,950
	16,670	19,672

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

4 Financial risk management (continued)

b) Credit risk (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include cash at bank and other receivables. These are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers these instruments to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit loss on these assets are immaterial.

The Company's maximum exposure to credit risk at 31 December is presented in the table below:

	2020	2019
Trade and other receivables	158,136	269,243
Cash at bank	400,937	225,903
	559,073	495,146

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	1 - 2 years	Total
As at 31 December 2020:			
Borrowings	35,000	-	35,000
Trade and other payables (excl. statutory obligations)	1,498,470	-	1,498,470
	1,533,470	**-**	**1,533,470**
As at 31 December 2019:			
Borrowings	32,761	-	32,761
Trade and other payables (excl. statutory obligations)	1,228,007	-	1,228,007
	1,260,768	**-**	**1,260,768**

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

4 Financial risk management (continued)

c) Liquidity risk (continued)

Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	2020	2019
Floating rate:		
- Expiring within one year (bank overdrafts)	240,000	82,239

d) Capital risk management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the following gearing ratio. This ratio is calculated as net debt divided by the total capital of the Company. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

During 2020, the Company's strategy, which was unchanged from 2019, was to maintain a gearing ratio of less than 50%.

The Company's gearing ratios at 31 December were as follows:

	2020	2019
Total borrowings	35,000	32,761
Less: Cash and cash equivalents	(401,007)	(225,942)
Net debt	(366,007)	(193,181)
Total equity	991,052	1,039,714
Total capital	625,045	846,533
Gearing ratio	0.0%	0.0%

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

4 Financial risk management (continued)

e) Financial instruments by category

The Company held the following financial instruments as at 31 December.

	2020	2019
Financial assets at amortised cost		
Trade and other receivables (excluding pre-payments)	141,466	249,571
Cash and cash equivalents	400,937	225,903
	542,403	475,474
Financial liabilities at amortised cost		
Borrowings	35,000	32,761
Trade and other payables (excluding statutory obligations)	1,498,470	1,228,007
	1,533,470	1,260,768

5 Segment reporting

The Executive Committee (the "Committee") is the Company's chief operating decision-maker. The Board of Directors have determined the operating segments based on the information reviewed by the Executive Committee for the purposes of allocating resources and assessing performance. The Board considers the activities of the Company to substantially fall within the same product range and within the same geographic region (Zambia). The products are distributed to similar classes of customers using similar distribution channels.

The Executive Committee assesses the performance of the Company based on EBITA. The Company does not incur any non-recurring expenditure and therefore does not adjust EBITA.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

	2020	2019

5 Segment reporting (continued)

The segment information provided to the Executive Committee for the reportable segment for the year ended 31 December is as follows:

	2020	2019
Alcoholic beverages		
Revenue from external customers	2,305,425	2,092,589
Fixed and variable expenses	(2,278,427)	(1,734,401)
EBITA	26,998	358,188
Interest income	197	31,325
Interest expense	(15,974)	(30,108)
Amortisation	(2,736)	(2,523)
Income tax expense	(2,546)	(82,468)
Profit after income tax	5,939	274,414
Total assets	3,232,039	3,062,292
Total liabilities	2,240,987	2,022,578

6 Revenue from contracts with customers

	2020	2019
Alcoholic beverages - locally produced	1,814,940	1,653,827
Alcoholic beverages - imported	490,485	438,762
	2,305,425	2,092,589
Recognition of revenue:		
At a point in time	2,305,425	2,092,589

7 Other income

	2020	2019
Profit on disposal of property, plant and equipment	697	-
Other sundry income	-	26,876
	697	26,876

8 Other expenses

	2020	2019
Loss on disposal of property, plant and equipment	-	1,400
Foreign exchange losses other than on borrowings, cash and cash equivalents	418,660	65,191
Other sundry expenses	40,510	-
	459,170	66,591

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

9 Expenses by nature

The following expenses have been charged in arriving at the profit before income tax:

	2020	2019
Raw materials and consumables used	949,162	801,306
Employee benefits	114,160	116,533
Depreciation	204,638	212,611
Amortisation	2,736	2,523
Write off of property, plant and equipment	2,245	1,156
Auditor's remuneration	1,621	1,086
(Decrease) / increase in inventory provision	(33,542)	10,000
Transportation	112,356	100,055
Repairs and maintenance	54,976	46,929
Marketing	72,392	37,521
Management fees	67,528	87,189
Consulting services	1,126	45,367
Royalties	129,639	117,426
Warehouse breakages	9,602	8,402
Bank charges	6,846	4,493
Other expenses	131,567	126,521
	1,827,052	1,719,118

The amortisation expense is included as part of administrative expenses in the statement of profit or loss and other comprehensive income.

10 Employee benefits

The following are included within the employee benefits expense:

	2020	2019
Salaries and wages	101,240	104,368
Defined contribution schemes – NAPSA and Saturnia	12,920	12,165
	114,160	116,533

11 Finance (costs) / income - net

	2020	2019
Finance income:		
Interest income	197	31,325
Foreign exchange gains on borrowings, cash and cash equivalents	1,360	23,711
	1,557	55,036
Finance costs:		
Interest expense	(15,974)	(30,108)
	(15,974)	(30,108)
	(14,417)	24,928

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

12 Income tax

	2020	2019
Current income tax expense	30,804	72,449
Deferred income tax (credit) / expense	(24,669)	24,704
Prior year over provision on current income tax	(3,589)	-
Prior year over provision on deferred income tax	-	(14,685)
Income tax expense	2,546	82,468

The income tax expense on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2020	2019
Profit before income tax	8,485	356,882
Tax calculated at the statutory income tax rate of 35% (2019: 35%)	2,970	124,909
Tax effect of:		
Income subject to a lower tax rate	(27,666)	(42,930)
Expenses not deductible for tax purposes	30,831	15,174
Prior year over provision on current income tax	(3,589)	-
Prior year over provision on deferred income tax	-	(14,685)
Income tax expense	2,546	82,468

Current income tax movement in the statement of financial position:

	2020	2019
At start of year - (asset) / liability	(10,542)	27,998
Current income tax expense	30,804	72,449
Prior year over provision on current income tax	(3,589)	-
Payments during the year	(95,825)	(110,989)
At end of year - asset	(79,152)	(10,542)

Tax losses

Tax losses are available for carrying forward for a maximum period of five years. The Company has tax losses as below:

Accounting date	Tax loss	Cumulative	Expiry date
31 December 2019	24,524	24,524	31 December 2024
31 December 2020	129,026	153,550	31 December 2025

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

13 Deferred income tax

	2020	2019
At start of the year	635,648	625,629
(Credit) / charge for the year	(24,669)	24,704
Prior year over provision	-	(14,685)
At end of the year	610,979	635,648

Deferred income tax assets/liabilities and deferred income tax charge/credit to profit or loss is attributable to the following items:

	At start of year	(Credit) / charge to P/L	At end of year
Year ended 31 December 2020			
Deferred income tax liabilities			
Property, plant and equipment	345,056	227,497	572,553
	345,056	227,497	572,553
Deferred income tax assets			
Tax Loss	-	(53,743)	(53,743)
Other deductible temporary differences	(16,945)	(67,959)	(84,904)
	(16,945)	(121,702)	(138,647)
Net deferred income tax liability	328,111	105,795	433,906
Provision against ZDA incentive benefit	307,537	(130,464)	177,073
Deferred income tax liability recognised	635,648	(24,669)	610,979
Year ended 31 December 2019			
Deferred income tax liabilities			
Property, plant and equipment	396,518	(51,462)	345,056
	396,518	(51,462)	345,056
Deferred income tax assets			
Other deductible temporary differences	(10,505)	(6,440)	(16,945)
	(10,505)	(6,440)	(16,945)
Net deferred income tax liability	386,013	(57,902)	328,111
Provision against ZDA incentive benefit	239,616	67,921	307,537
Deferred income tax liability recognised	625,629	10,019	635,648

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

	2020	2019
13 Deferred income tax (continued)		
Net deferred income tax (asset) / liability expected to be recovered within 12 months	(45,277)	18,389

14 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
Profit attributable to equity holders of the Company	5,939	274,414
Weighted average number of ordinary shares in issue (millions)	546	546
Basic and diluted earnings per share (in Kwacha)	0.01	0.50

There were no potentially dilutive shares outstanding at 31 December 2020 or 31 December 2019. Diluted earnings per share are therefore the same as basic earnings per share.

15 Share capital and share premium

	Number of shares (millions)	Ordinary shares	Share premium
Balance as at 1 January 2019, 31 December 2019 and 31 December 2020	546	5,460	450,207

The authorised share capital of the Company remained unchanged at 600,000,000 ordinary shares of K0.01 each. The issued and fully paid-up share capital remained at 546,000,000 ordinary shares of K0.01 each.

The holder of the Company's ordinary shares are entitled to particapte in divdiends and share in the proceeds of winding up the Company in proportion to the number of and amounts paid on shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

16 Dividends per share

At the Annual General Meeting held on 26 March 2020, the Directors proposed the payment of a dividend of K0.1 per share amounting to K54.6 million in respect of the year ended 31 December 2019. The payment of the dividend was approved and thus was payable during the year ended 31 December 2020.

On 27 December 2018 the Board approved a special dividend of K3.68 per share amounting to K2,009 million. This dividend was paid during the year ended 31 December 2019.

Payment of dividends is subject to withholding tax at rates varying between 0% and 15% depending on the residence status of the shareholders. Dividends declared by a company listed on the Lusaka Stock Exchange and payable to an individual are exempt from withholding tax.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

17 Property, plant and equipment

	Buildings	Motor vehicles	Plant, containers, furniture and fittings	Capital work in progress	Total
At 1 January 2019					
Cost	305,848	89,846	1,895,109	259,571	2,550,374
Accumulated depreciation	(21,897)	(67,078)	(763,226)	-	(852,201)
Net book value	283,951	22,768	1,131,883	259,571	1,698,173
Year ended 31 December 2019					
Opening net book value	283,951	22,768	1,131,883	259,571	1,698,173
Additions	-	-	140,860	434,866	575,726
Transfers	90,473	6,282	224,097	(320,852)	-
Disposals	-	-	(886)	-	(886)
Write off	-	-	(1,156)	-	(1,156)
Depreciation charge	(11,050)	(9,091)	(192,470)	-	(212,611)
Closing net book value	363,374	19,959	1,302,328	373,585	2,059,246
At 31 December 2019					
Cost	396,321	96,128	2,255,442	373,585	3,121,476
Accumulated depreciation	(32,947)	(76,169)	(953,114)	-	(1,062,230)
Net book amount	363,374	19,959	1,302,328	373,585	2,059,246
Year ended 31 December 2020					
Opening net book value	363,374	19,959	1,302,328	373,585	2,059,246
Additions	-	-	106,096	191,396	297,492
Transfers	70,082	21,104	263,264	(354,450)	-
Write off	(103)	(123)	(2,019)	-	(2,245)
Depreciation charge	(11,435)	(10,052)	(183,151)	-	(204,638)
Closing net book value	421,918	30,888	1,486,518	210,531	2,149,855
At 31 December 2020					
Cost	466,281	109,122	2,262,500	210,531	3,048,434
Accumulated depreciation	(44,363)	(78,234)	(775,982)	-	(898,579)
Net book value	421,918	30,888	1,486,518	210,531	2,149,855

The register showing the details of property and equipment, as required by Section 30 of the Companies Act, 2017 of Zambia is available during business hours at the registered office of the Company.

Assets classified as capital work in progress largely relate to the costs incurred for the ongoing building expansion projects at the Company's locations and trade equipment which need to be branded prior to being used.

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

18 Intangible assets

	Goodwill	Software licences	Total
At 1 January 2019			
Cost	17,061	15,989	33,050
Accumulated amortisation	-	(11,373)	(11,373)
Net book value	17,061	4,616	21,677
Year ended 31 December 2019			
Opening net book value	17,061	4,616	21,677
Additions	-	5,447	5,447
Amortisation charge	-	(2,523)	(2,523)
Closing net book value	17,061	7,540	24,601
At 31 December 2019			
Cost	17,061	21,436	38,497
Accumulated depreciation	-	(13,896)	(13,896)
Net book amount	17,061	7,540	24,601
Year ended 31 December 2020			
Opening net book value	17,061	7,540	24,601
Additions	-	951	951
Amortisation charge	-	(2,736)	(2,736)
Closing net book value	17,061	5,755	22,816
At 31 December 2020			
Cost	17,061	22,387	39,448
Accumulated depreciation	-	(16,632)	(16,632)
Net book value	17,061	5,755	22,816

The amortisation charge of software licenses is recorded within administrative expenses.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

	2020	2019

18 Intangible assets (continued)

i) Goodwill

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to operating segment. The Directors monitor the business on the basis of the operating segments and have thus allocated the goodwill on that basis. The allocation of the goodwill is as follows:

	2020	2019
Alcoholic beverages	17,061	17,061

The recoverable amount is determined as the higher of value in use and the fair value less costs to sell. In the current period, the Directors applied the value in use model in assessing goodwill for impairment of the CGU.

Alcoholic business segment

The value in use calculations use expected cash flow projections based on financial budgets approved by the Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rates for the respective business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	2020	2019
Growth rate	12.0%	13.4%
Discount rate	27.9%	20.3%

The growth rate is based on past performance and management's expectations of market development. The discount rates used reflect specific risks relating to the segment.

The recoverable amount exceeded the carrying value in the current period, hence no impairment loss was recognised for the year ended 31 December 2020 (2019: Nil).

As at 31 December 2020, with other variables unchanged, a 4% (2019: 2%) change in the discount rate factor or a 2% (2019: 1%) change in the growth rate, would not have resulted in an impairment loss on the value of the goodwill (2019: No impairment loss).

i) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four years.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

19 Inventories

	2020	2019
Raw materials	271,151	198,925
Work in progress	1,785	67,358
Finished goods	28,093	94,512
General stores and consumables	125,611	125,872
	426,640	486,667

The cost of inventories recognised as an expense and included within cost of sales amounted to K949 million (2019: K801 million).

At 31 December 2020, the provision made for obsolete inventory amounted to K4.5 million (2019: K38 million). The movement in the provision during the year was as follows:

	2020	2019
At start of the year	38,000	28,000
Additions	-	10,000
Released	(33,542)	-
At end of the year	4,458	38,000

20 Trade and other receivables

	2020	2019
Trade receivables	107,219	174,532
Loss allowance	(16,670)	(19,672)
	90,549	154,860
Amounts due from related parties	-	3,355
Prepayments	9,008	5,723
Other receivables	50,917	91,356
	150,474	255,294

The creation and release of provision for impaired receivables are separately presented in the statement of profit or loss and other comprehensive income. Refer to note 4(b) for additional details.

The carrying amount of trade and other receivables is considered to approximate their fair values due to their short-term nature.

Annual Financial Statements

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

		2020	2019
21	**Cash and cash equivalents**		
	Cash on hand	70	39
	Cash at bank	400,937	225,903
		401,007	225,942
	For the purposes of the statement of cash flows, cash and cash equivalents comprise:		
	Cash at bank and on hand	401,007	225,942
	Bank overdrafts	-	(32,761)
		401,007	193,181
22	**Borrowings**		
	Current		
	Bank overdrafts	-	32,761
	Stanbic - revolving credit	35,000	-
		35,000	32,761
	Net debt reconciliation:		
	At start of the year	32,761	115
	Additions	35,000	-
	Movement in bank overdrafts	(32,761)	32,646
	At end of the year	35,000	32,761

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

22 Borrowings (continued)

Bank overdrafts

The bank overdraft facilities are held with four different banks namely, Stanbic Bank Zambia Limited, Citi Bank Zambia Limited, Absa Bank Plc and Standard Chartered Bank (Z) Limited. At 31 December 2020, the Company had utilised the facilities with Stanbic Bank Zambia Limited and Standard Chartered Bank (Z) Limited.

The bank overdraft facilities from various banks are all unsecured. Interest on the bank overdrafts are payable at the prevailing Bank of Zambia (BoZ) Monetary Policy Rate plus a liquidity premium and a margin ranging from 1.00% to 6.5%. The bank overdrafts expiring within a year are annual facilities subject to renewal at various dates during 2020. The interest rate during the period averaged 14.03% (2019: 19.49%). Due to the short-term nature of the borrowings, the contractual rate approximates the effective interest rate.

There were no facilities in default during the period. The carrying amount of the current borrowings approximates to the fair value. All borrowings are denominated in Kwacha.

Stanbic - revolving credit

During the year, the Company entered into an agreement with Stanbic Bank Zambia Limited wherein, the Company obtained a K35 million revolving credit facility (the "Facility"). The Company had drawn down on the facility on 17 August 2020 and it has a tenure of 1.5 years. Facility is unsecured and interest is charged at a rate determined by the prevailing Bank of Zambia Policy Rate plus a margin of 3.5%. At 31 December 2020, the average effective interest rate on the facility was 13.6%.

23 Trade and other payables

	2020	2019
Trade payables	358,499	154,966
Amounts due to related parties	845,687	862,754
Accrued expenses	58,109	86,386
Dividend payable	54,887	10,019
Statutory obligations	96,538	126,162
Other payables	181,288	113,882
	1,595,008	1,354,169

The carrying amount of the trade and other payables approximate to their fair values.

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

24 Cash generated from operations

	2020	2019
Profit before income tax	8,485	356,882
Adjustments:		
Interest income	(197)	(31,325)
Interest expense	15,974	30,108
Depreciation	204,638	212,611
Amortisation of intangible asset	2,736	2,523
Profit on sale of property, plant and equipment	(697)	-
Loss on sale of property, plant and equipment	-	1,400
Write off of property, plant and equipment	2,245	1,156
Foreign exchange differences	(55,961)	(21,909)
Changes in working capital:		
Inventories	60,027	67,676
Trade and other receivables	104,820	4,776
Trade and other payables	250,572	(149,406)
Cash generated from operations	592,642	474,492

25 Related party transactions

The Company's immediate parent is AB InBev Africa BV, incorporated in Netherlands . The Company's ultimate parent and controlling party is AB InBev Plc, incorporated in Belgium. There are other companies that are related to Zambian Breweries Plc through common shareholdings or common directorships.

The following were the transactions carried out and balances held with related parties:

i) Purchase of goods and services

	2020	2019
Parent:		
AB InBev Management Limited	71,501	87,189
South African Breweries (Pty) Limited	273,874	234,094
AB InBev International Brands Ltd	129,639	117,426
Anheuser Busch InBev Namibia	6,379	-
Kgalagadi Breweries Plc	456	912
Tanzania Breweries Plc	927	-
Cervejas De Mocambique	1,280	-
Mubex	411,605	641,096
	895,661	1,080,717

ii) Sale of goods and services

	2020	2019
Parent:		
AB InBev Africa Holdings Limited	-	3,355

Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

25 Related party transactions (continued)

iii) Directors' remuneration

	2020	2019
Non-executive Directors fees	497	629
Salaries and short-term emoluments	3,545	3,312
Other emoluments	-	139
Retirement benefit cost	69	81
Remuneration and other short-term benefits	4,111	4,161

iv) Key management compensation

	2020	2019
Salaries and short-term emoluments	13,695	12,237
Other emoluments	-	7,607
Retirement benefit cost	332	466
Salaries and other short-term employment benefits	14,027	20,310

Key management personnel comprise of the following:

- Country Director
- Country Lead People
- Corporate Affairs Director
- Country Lead Finance
- Head of Marketing
- Technical Director
- Head of Solutions
- Head of Procurement
- Head of Logistics and Planning

v) Amounts due to related parties

	2020	2019
Fellow subsidiaries:		
AB InBev Africa (Pty) Ltd	180,968	82,232
South African Breweries (Pty) Ltd	226,951	175,760
Sabmark International- a division of SABMiller International BV	-	214,151
AB InBev Management Limited	121,064	71,443
AB InBev International Brands Ltd	168,642	-
Tanzania Breweries Plc	1,016	-
Anheuser Busch InBev Namibia	1,390	-
Kgalagadi Beverages	463	-
Mubex	122,861	158,311
Cervejas De Mocambique	22,332	-
Heinrich Syndicate Limited	-	160,857
	845,687	862,754

Annual Financial Statements
Amounts are presented in thousands of Zambian Kwacha unless otherwise stated

Notes to the Annual Financial Statements (continued)

25 Related party transactions (continued)

vi) Amounts due from related parties

	2020	2019
Parent:		
AB InBev Africa Holdings Limited	-	3,355

vii) Account receivable

	2020	2019
Common directorships:		
Manja Pamodzi Foundation Limited	2,095	-

On 28 August 2020, the Company entered into a two year facility agreement with its related party, Manja Pamodzi Foundation Limited (MPFL) at which, the Company made available to MPFL a revolver facility of K2.5 million. The facility is due to be repaid by 28 August 2022.

26 Contingent liabilities

Zambian Breweries Plc had several pending legal proceedings as at 31 December 2020. The Directors having obtained appropriate legal advice and are of the opinion that there will be no material losses arising from the pending legal proceedings. The value of potential claims against the Company which would likely result in an unfavourable outcome as at 31 December 2020 is K10 million (2019: K60 million).

27 Commitments

	2020	2019
i) Capital commitments		
Property, plant and equipment	-	55,208
ii) Operating commitments		
Raw materials	26,036	80,943

28 Significant events during the year

The Corona Virus Disease 2019 (COVID-19) pandemic continues to have a continuing effect across the world with different countries responding in different ways. The Company continues to monitor the operating effectiveness of its safety protocols, the development of the pandemic and the measures being taken by varying stakeholders. Overall, the Company continues to abide by and follow the public health guidelines issued by the Government of Zambia.

The outbreak and efforts to contain it continue to have an impact on the Zambian economy. It is possible that there will be a negative impact on the Company's financial performance which could have a material effect on the cash flows, earnings, results of operations and financial position.

29 Events after reporting period

There were no significant subsequent events after the reporting period.

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2020 is as follows:

	Name of shareholder	%	Number of shares
1.	AB INBEV AFRICA BV	86.44	471,982,350
2.	STANDARD CHARTERED ZAMBIA SECURITIES SERVICES NOMINEES LTD	4.06	22,168,349
3.	SATURNIA REGNA PENSION TRUST FUND	3.48	19,023,090
4.	STANBIC NOMINEES ZAMBIA LIMITED	0.78	4,252,913
5.	KCM PENSION TRUST SCHEME	0.76	4,138,898
6.	ZAMBIA SUGAR PENSION TRUST-SCHEME	0.42	2,284,327
7.	STANBIC BANK PENSION TRUST FUND	0.34	1,853,932
8.	BARCLAYS BANK STAFF PENSION TRUST FUND	0.30	1,664,102
9.	BARCLAYS BANK ZAMBIA STAFF PENSION FUND-PPMZ	0.30	1,664,102
10.	STANDARD CHARTERED BANK PENSION TRUST FUND	0.24	1,293,640
	Total selected	97.13	530,325,703
	Not selected	2.87	15,674,297
	Issued shares	100.00	546,000,000

Distribution of shareholders

	Number of Shareholders	%	Number of Shares
Less than 500 Shares	234	17.90	37,892
501- 5,000	888	67.94	1,196,022
5,001- 10,000	79	6.04	544,878
10,001- 100,000	66	5.05	1,764,625
100,001- 1,000,000	21	1.61	7,157,105
Over 1,000,000	19	1.45	535,306,278
	1,307	100.00	546,006,800

Directorate and Corporate Information

DIRECTORS
Monica Musonda*
Jito Kayumba*
Jose Danial Moran***
Mulwanda Sichula*
Obed Somali*
Derrick Van Vuuren**

COMPANY SECRETARY
Deborah Bwalya*

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Citibank Zambia Limited
Stanbic Bank Zambia Limited
Standard Chartered Bank Plc
Zambia National Commercial Bank
Lusaka

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AUDITOR
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P O Box 30942
Lusaka

* Zambian ** South African *** Ecuadorian

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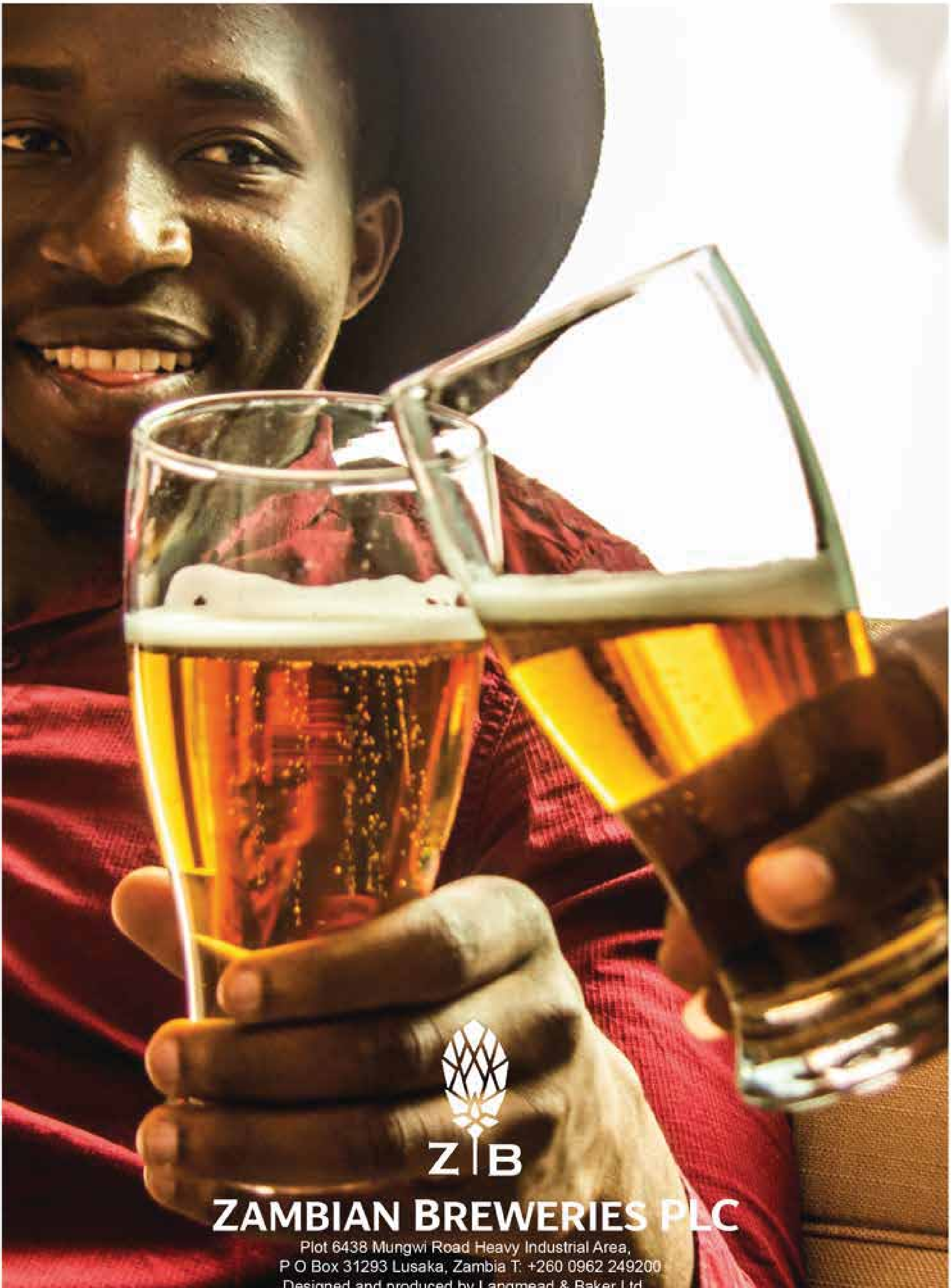
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