Zambian Breweries Plc / 2021 Annual Report

ABInBev To a Future With More Cheers

CHEERS TO OUR BREWING RESILIENCE

ZAMBIAN BREWERIES PLC

A Future with more cheers

Zambian Breweries Plc always dreams big. It's our culture and our heritage. But more than that, it's our future. A future that everyone can celebrate and everyone can share. A future with more cheers.

OUR PURPOSE

We Dream Big to Create a Future With More Cheers

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 talent 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, 2021. 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

K4,079,639

thousands Company revenue (incl. excise duty)

K147,952

thousands Profit for the year

K3,068,959

thousands Company revenue (exc. excise duty)

K683,337

thousands Retained earnings

(In Kwacha thousands)	Year Ended 31 March 2017*	Nine-months Ended 31 December 2017*	2018	2018**	2019	2020	2021	Var.
Company Revenue (incl. Excise Duty)	2,494,328	1,986,512	2,843,168	2,278,035	2,640,037	3,031,587	4,079,639	35%
Company Revenue (Excl. Excise Duty)	1,974,021	1,561,138	2,200,228	1,787,264	2,092,589	2,305,425	3,068,959	33%
Operating Profit	360,957	366,017	1,610,040	299,282	331,954	22,902	190,180	730%
Profit Before Income tax	185,806	320,029	1,618,942	317,711	356,882	8,485	106,222	1,152%
Profit (loss) for the year	128,168	220,820	1,456,136	216,599	274,414	5,939	147,952	2,391%
Total Assets	2,674,626	3,062,546	4,931,900	4,931,900	3,062,292	3,232,039	3,578,033	11%
Current liabilities	1,054,306	1,126,438	3,540,971	3,540,971	1,386,930	1,630,008	1,915,654	16%
Retained Earnings	1,208,034	1,428,854	309,633	309,633	584,047	535,385	683,337	28%

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

2 BUSINESS OVERVIEW

Chairperson's Report

Dear Shareholders,

As the COVID-19 pandemic moved into its second year in 2021, Zambian Breweries further strengthened its strategies to deal with the new ways of working, including a changed marketplace, different supply dynamics, and revised workplace protocols.

The upheavals have been significant, but I am pleased to say that we have adapted well to the 'new normal' and management, staff, suppliers, distributors and customers have embraced these new ways of working, harnessing innovation and fresh thinking to transform the business.

We have taken the opportunity to take stock, tighten cost management, reduce foreign exchange-denominated debt and emerge as a leaner, fitter, more robust organisation as a result.

It has also been another extremely difficult year for the trade, and we have engaged with the Bar and Night Club Owners' association of Zambia throughout to develop mutual understanding and help cushion the worst of the impacts.

In August we saw national elections that resulted in a change of government. We welcome the new United Party for National Development (UPND) and are particularly pleased with President Hakainde Hichilema's pro-business stance.

While many governments internationally continued restrictions that had devastating effects on the hospitality and beverage sectors, the Zambian Government took a far-sighted view that sought to balance genuine health concerns with the need to protect the economy and small businesses. It was a policy decision that has by and large worked well.

Economy

Zambia's GDP rose by 1% during the year, bouncing back from the negative impact of COVID-19 in 2020, and buoyed by continued high copper prices in the wake of a global shortage of the metal.

Year-on-year inflation was 16.4% as of December 31, 2021, with an indication of further escalation, in part due to the removal of government subsidies on fuel as part of the requirements for support from the International Monetary Fund (IMF), and also as a reflection of the wider global inflation trend.

This high level of inflation translated into a high household cost of living, eroding consumer income and spending power, while leading to a spike in production costs.

In July we launched a report by consultancy Ernst & Young (EY) that showed Zambian Breweries contributed just under K6 billion of value to the national economy in 2019.

It reported that we added around K1 billion to the country's GDP besides supporting over 80,000 jobs - equivalent to K164 million in labour income - and contributed K1.6 billion to government's tax revenue during the period under review.

Strategic Review

Government restrictions on on-premise sales and bar opening hours continued to shift buying patterns towards home consumption. While this perpetuated the shortage of returnable glass bottles that we experienced in 2020, overall demand for our beer increased during the year.

Efforts to encourage greater return of bottles also helped ease the glass shortage prompted by constraints in bottle imports from South Africa.

We continued to experience some market disruption in prices due to shortages in the first half of the year, but this eased towards the fourth quarter as our investment in production expansion grew capacity to meet demand.

The US$18 million capacity upgrade was completed at both Lusaka and Ndola breweries during the year, despite some delays due to the COVID-19 third wave, to address shortages in the market.

We grew 15% compared with 2020. Excise tax increased 57% versus prior year due to the increase in premium and core brand sales, which attract a higher excise rate compared to the Eagle affordable segment, which dominated the prior year's sales. We paid ZMW48.6 million in corporate income tax during 2021. Overall taxes to government rose by 33% compared with the previous year.

On the supply side, Zambian Breweries continued to work closely with local farmers, who supply the ingredients, including maize, barley, sorghum and cassava, for our locally produced beers. Indeed, this partnership has been a key part of our resilience during the year, reducing reliance on imports.

COVID-19 has been a key focus throughout the year, and we have worked with government, private sector partners and communities to mitigate its impact on the less privileged.

Our staff were a particular priority, and we launched an internal COVID-19 vaccination drive campaign to create awareness and encourage employees to get vaccinated voluntarily.

Through our partnerships with the Ministry of Health, Lusaka City Council and industry stakeholders, we sensitised and educated bar owners and members of the community in Chawama on the importance of getting vaccinated, and we distributed kits consisting of hand sanitisers and face masks to help fight the pandemic. We also donated hand sanitisers, disinfectants and PPEs to the Ministry of Health and Lusaka City Council for onward delivery to health facilities and communities.

Finance

Following the installation of the new government, and confidence in an IMF package, the kwacha appreciated by 21% from ZMW21.17 to ZMW16.67 to the US dollar during the year.

This helped us reduce dollar-denominated debt, with more than half of intra-group debt paid off during the year. This will improve cash flow liquidity going forward. However, in the short-term, net interest costs rose by 482% as a result of a steady increase in the use of overdrafts and the increased cost of borrowing.

The favourable exchange rates in the second half of the year also reduced the cost of imports such as packaging and finished products, and facilitated further capital investment in our expansion plans.

Meanwhile, the completed capacity expansion presents an opportunity to increase local production that should lead to a slight improvement in variable production costs and excise taxes once planned Eagle production ramps up.

The 15% rise in volumes was driven by imports and core brands that carry a high cost of production, hence our variable cost of production rose by 67%.

Meanwhile, marketing costs remained in line with production growth, while our continued drive to manage fixed costs resulted in a drop of 5%.

Profit after tax rose exponentially compared with 2020, to ZMW148 million.

Smart Drinking

Following the successful 2020 Smart Drinking campaign, we relaunched the initiative in 2021 under the ''Cheers to Being Responsible Together" banner. The campaign used corporate and brand avenues to advocate and bring awareness to responsible alcohol consumption. This was done through community engagement with subject experts, collaborating partners as well as social marketing via our brand events, social media, radio and TV. We also continued to collaborate with the Lusaka City Council and Bars and Nightclub Owners Association to enhance compliance and responsible selling practices amongst our retailers.

The EY report mentioned above also highlighted the negative impact of illicit alcohol's erosion of the legal alcohol market's contribution to government revenue through unpaid taxes – with losses estimated at K21 billion in 2018. Illicit alcohol not only takes away the national revenues, but also impacts the health and youthful fabric of the country.

Governance

The Board was delighted to welcome Michelle Kilpin to the Board following her appointment as Country Director effective from July 29, 2021, replacing Jose Moran Ramirez, who moved to head AB InBev's Tanzania operations. Mrs Kilpin has a Bachelor of Commerce (Hons.) degree in Marketing Management from the University of Johannesburg and joined South Africa Breweries in 2004 as a Sales Representative, progressing to Formal On-Premise Channel Manager before working under AB InBev as Regional Director and Trade Marketing Director - South Africa.

We also saw the appointment of Yannick Bomans as a Non-Executive Director following the resignation of Derrick van Vuuren. Mr Bomans is Finance Director South East Africa at AB InBev and has held various executive positions in finance and strategy since 2009. He joined the Group with an audit background, having begun his career with Deloitte Touche in 2006. He holds a Master's degree in Commercial Engineering from KU Leuven in Belgium.

Outlook

COVID-19 has changed our business in the last two years, as it has for most others. The pandemic and its effects will be with us for many years to come, and we will continue to think dynamically and stay flexible in order to come up with creative solutions to the challenges we may face.

That said, given this year's experience, we expect demand for our products to remain buoyant.

This upward trajectory will inevitably have positive knock-on effects in terms of tax revenue to the government, direct and indirect employment, and further funds available for community support and sustainability projects.

Monica Musonda

Chairperson of the Board of Directors

Country Director's Report

Adaptability, resilience, innovation and an ability to plan for the long-term have been the hallmarks of Zambian Breweries since its inception, and those qualities came to the fore again in 2021 as we report a healthy increase in production volumes and profit.

It is by growing our business and thinking 'big' that we will achieve the critical mass necessary to sustain a profitable business, keep pace with demand as the nation's population and economy grow, and reduce unit fixed costs.

This approach was particularly apparent as we forged ahead with a bold expansion plan covering both our Lusaka and Ndola plants that resulted in a 15% increase in production capacity.

This enabled us to meet demand by the third quarter of the year and put us in a good position going forward to keep pace with the expected growth in the market in the short to medium-term. That positive note was set against a backdrop of continuing challenges in the market. For a second year the COVID-19 pandemic hit business, and we shared the pain of our distribution and trade partners who have experienced unprecedented hardships during this period.

Partnerships were a key part of our approach to tackling these issues, and we worked well with suppliers, trade and customers to address the most pressing issues, including shortages of glass, supply and price manipulation.

Our relationship with government also made positive strides, and we welcomed the election of the UPND government in August. President Hakainde Hichilema's understanding of business, and the manufacturing sector in particular, has provided a platform for progressive discussion that has boosted our confidence and the resulting stability has translated into a 33% increase in tax payments, and completion of our US$18 million investment plans.

Financial Performance

The business experienced a strong start in 2021, which has continued through the year. We continued to deliver robust performance, ahead of pre-pandemic levels, with beer volumes up by 15% against 2020.

Profit after tax increased exponentially against prior year even in the context of the on-going COVID-19 related restrictions, due to growth in volume and net revenue.

Operating profit for the year was also exponentially higher than prior year, driven by strong top-line performance and better managed costs, specifically the comparative foreign exchange losses, which were 30% lower than 2020.

Fixed costs declined by 5%, mainly due to continued cost-saving.

The high cost of sales associated with core brands and imports translated into a lower gross margin, despite the higher net revenue.

Investment for the Future

A total of ZMW641 million was invested in capital expendituredurring 2021, shared across production, sales and marketing and logistics (distribution and containers). The biggest projects undertaken during the year were the Lusaka and Ndola plants Capacity Expansion.

2022 Outlook

The Company is hopeful of improved market conditions as COVID-19 restrictions ease, enabling us to continue focus on maximising production through our capacity expansion investment. Continued glass investment and execution of October 2021 price increases have laid the foundations for topline growth.

We intend to roll out a Distributor Management System to create a foundation for a business to business (B2B) platform. These are initiatives intended to increase our ability to better service our end consumers.

I joined the business in July, and I have been impressed by the dedication, commitment and level of teamwork demonstrated by employees in all areas of the business. It is this spirit that I wish to tap into going forward as we join together to realise AB InBev's new global purpose: "We dream big to create a future with more cheers."

Cheers to our brewing resilience, investment in the future and innovation for growth, and a future with more cheers.

Michelle Kilpin

Zambia Country Director

3 Sustainability Report

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, and large-scale local farmers, with farming inputs and yield support.

During the past year the Company participated in the launch of the cassava buying harvest in Luapula and Northern Provinces, and sorghum in Southern Province, providing a market for about 6,000 small-scale farmers who supply the raw material for our affordable Eagle lager.

We also partnered with the UN World Food Programme (WFP) in enabling smallholder farmers to access high-yielding sorghum seed, training on crop management and insurance to protect their crops from climate shocks, as well as providing agricultural extension services and markets.

We partnered with the Zambia National Cassava Association (ZANACA) and Zambia Agricultural Research Institute (ZARI) to contain the cassava brown streak disease affecting farmer yields and provide new improved disease resistant cassava seed varieties.

We worked with Zamseed, Zanaco Bank, and Silverlands Ranching to spearhead the cultivation of sorghum in Southern Province.

We also empowered small-scale farmers with digital financial skills through our technology-based payment platform called BanQu.

2 Smart Drinking

Our Goal: Reducing harmful drinking practices such as underage drinking, binge drinking, and drinking and driving. We want every experience with beer to be a positive one. We are working across sectors to disrupt harmful drinking through influencing social norms, strengthening and expanding marketing codes of practice, providing consumer information, and responsible product innovation.

We launched the 2021 iteration of our Smart Drinking campaign under the theme "Cheers to being responsible together," a social marketing campaign aimed at sensitising the public on the negative effects of alcohol that include gender-based violence, underage drinking, alcohol/substance abuse, binge drinking and mental illness. The initiative offered solutions to curb associated ills in the community.

We partnered with the Lusaka City Council, the Road Transport and Safety Agency, bar and nightclub owners, and collaborated with other government agencies and private sector organisations to form strong linkages with respect to the National Alcohol Policy.

We collaborated with the Chibolya Media Farm initiative, to curb poverty, underage drinking, youth disempowerment and social degradation.

In partnership with the Drug Enforcement Commission, Lusaka City Council and the Road Traffic and Safety Agency we initiated activities during the festive season that brought awareness of responsible alcohol consumption, drug abuse, bars and nightclubs compliance, and road safety to the public.

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 and its access must be secured, particularly in high-stress areas.

We partnered with WWF to deliver 'The Strategic Investment Pathways Report: A Case of the Zambezi River Basin.'

The study by WWF Zambia and Zambian Breweries was commissioned through the Organisation for Economic Co-operation and Development (OECD) and launched in Lusaka to underscore the need for private sector players to bridge the financing gap affecting the water sector, and leverage on the financial returns of investing in water resources.

We also financed the construction of a borehole in support of Lusaka Water Supply and Sanitation Company that is benefiting approximately 40,000 households and industries in and around Lusaka's George Compound. We funded the total project cost, which was US$150,000, and was initiated as part of the entity's cholera and COVID-19 response strategy that seeks to improve access to clean water and sanitation in low-income areas.

4 Circular packaging

Our Goal: 100% of our products will be in packaging that is returnable or made from a majority of recycled content.

Since inception, the Manja Pamodzi recycling programme has played a critical role in not only revitalising township streets, but also creating a new breed of entrepreneurs in local communities who earn a living by collecting waste and selling it to recyclers. Zambia Association of Manufacturers (ZAM) awarded the Company the ZAM Annual Sustainability Award for its leading role in environmental protection and building green communities.

The COVID-19 ‘drink-at-home’ message had left the company short of returnable bottles, which are vital to keeping the supply chain going. However, true to our principles, we have made strides to overcome this challenge.

5 Climate Action

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, drives efficiency at our plants through uniform processes and measurable standards of operation, quality, and safety, as well as consideration for the environment.

4 CORPORATE GOVERNANCE

Corporate Governance Report

BECOMING SMARTER

STRIVING TOWARDS THE FUTURE USING TECHNOLOGY

During 2021 we continued the drive to innovate and strive towards the future using technology, which was enhanced by training on digital regulations and various online platforms.

We improved our focus on bringing technology solutions to our independent distribution partners and the year has seen considerable innovation in the People function in order to facilitate access to efficent services to all our employees and stay up to date on international employee-oriented technology standards. We have also finalised the use of cloud computing based solutions for our everyday needs, drivivng better digital engagement, a paperless environment and data security.

Our Purpose

#FUTUREWITHMORECHEERS

We Dream Big to Create a Future With More Cheers

Our purpose is to Dream Big to Create a Future with More Cheers - a future that everyone can celebrate and everyone can share. Where we dream big to serve up new ways to meet life's moments, move our industry forward, and make a meaningful impact in our communities and the world.

A Strong Vision for the Future

We believe in celebrating life. Millions enjoy our products every day, and we strive to make sure every experience with beer is positive. We're also committed to improving the communities we're a part of and playing a positive role within them. Sustainability isn't just related to our business, it is our business.

The Board, Audit and Management Committees

BOARD COMPOSITION

MEMBERS	
Monica Musonda	Independent Non-Executive
Jito Kayumba	Independent Non-Executive
Jose Daniel Moran Ramirez	Executive (Resigned 29/7/21)
Michelle Kilpin	Executive (Appointed 29/07/21)
Yannick Bowman	Non-Executive (Appointed 18/11/21)
Obed Somali	Executive
Derrick Jansen van Vuuren	Non-Executive (Resigned 18/11/21)

ATTENDANCE	26th February 2021	27th May, 2021	29th July 2021	18th November 2021
Monica Musonda	✓	✓	✓	✓
Jito Kayumba	✓	✓	✓	✓
Obed Somali	✓	✓	✓	✓
Jose Daniel Moran Ramirez (Resigned 29/7/21)	✓	✓	✓	-
Michelle Kilpin (Appointed 29/07/21)	-	-	✓	✓
Derrick Jansen van Vuuren (Resigned 18/11/21)	✓	✓	✓	-
Yannick Bomans (Appointed 18/11/21)	-	-	-	✓

THE AUDIT COMMITTEE

MEMBERS	
Jito Kayumba	Independent Non-Executive
Richard Rivett-Carnac (Resigned 26/02/21)	Non-Executive
Derrick van Vuuren (Resigned 18/11/21)	Non-Executive
Priya Sohawon (Appointed 26/02/21)	Non-Executive
Yannick Bomans (Appointed 18/11/21)	Non-Executive

ATTENDANCE	26th February 2021	29th July 2021
Jito Kayumba	✓	✓
Richard Rivett-Carnac (Resigned 26/02/21)	✓	-
Derrick van Vuuren (Resigned 18/11/21)	✓	✓
Priya Sohawon (Appointed 26/02/21)	✓	✓

THE MANAGEMENT COMMITTEE

MEMBERS	FUNCTION
Jose Daniel Moran Ramirez/ Michelle Kilpin	Country Director
Obed Somali	Country Lead Finance
Shula Kampampa	Head Solutions
Sibajene Munkombwe	Head of Marketing
Lezanne van Zyl	Head of Logistics and Planning
Ezekiel Sekele	Corporate Affairs Director
Sharon Lima	Country Lead People
Simon Nyondo	Heads of Procurement
Albert Malunga/Lusa Sikwese	Lusaka Brewery Plant Manager
Esther Mapenda/Darryl Denton	Ndola Brewery Plant Manager
Deborah Bwalya	Legal Counsel

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 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 presented to the Committee.

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 (SEC), 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 2021.

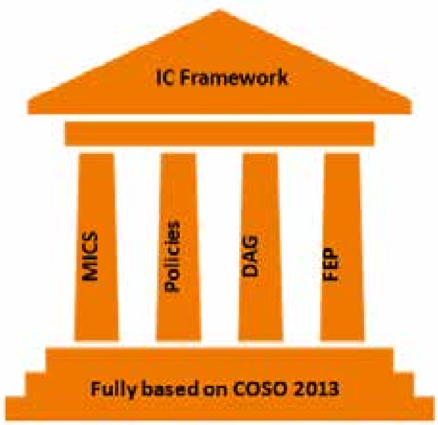
The Management of Zambian Breweries is responsible for establishing and maintaining adequate internal controls over financial reporting. To achieve this, Zambian Breweries has adopted the AB Inbev's financial internal control framework. The AB Inbev's financial internal control framework is designed based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in 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
4. Finance Excellence Program

Compliance Platforms

BrewRIGHT is a data analytics platform designed to assist in identifying, monitoring, analyzing, and remediating compliance risks across various parts of the business. It serve the Company's longer-term compliance and internal controls objectives by providing global users with timely access to key compliance and transactional data.



The antitrust dashboard assesses risk based on anti-competitive conduct, active competition cases or fines for anti-competitive conduct. The results of competition compliance audits are also reviewed and uploaded on this platform and any potentially risky conduct identified on the platform mitigated.

Komrisk was the platform used to automate and build up the compliance library and an effective tool in regulatory and statutory compliance management. This platform is used to upload licenses which were then regularly reviewed, and alerts sent on any licenses due to expire.

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.

Alcohol Responsibility

At the core of the National Alcohol Policy (NAP) 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 NAP 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 and illicit alcohol, alcohol which is manufactured, distributed, sold legally and consumed responsibly is acceptable and contributes to revenue. We align with the NAP and facilitate sensitisation for harm reduction in the communities in which we operate.

Our smart drinking goals aim to educate and sensitise consumers and bar owners through implementation of evidence-based initiatives such as:

- Road Safety: reduce harmful use of alcohol through collaboration with the 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 traditional clear beer
- Increasing Alcohol Literacy: enhancing information sharing through our guidance labels and social platforms and increasing awareness amongst the youth and broader consumers on the dangers of alcohol abuse

Through our initiatives we continue to liaise with various stakeholders, including the Drug Enforcement Commission, Local Councils, the Ministry of Health, the Zambia Revenue Authority 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.

Governance Charter

Corporate governance concerns both the effectiveness and the accountability of its Board of directors.

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 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.

Global Responsible Sourcing Policy

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.

Responsible Marketing and Communications Code

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

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.

Diversity and Inclusion

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.

Effectiveness, and therefore the quality of leadership and direction that the Board provides, is measured by performance, which is ultimately reflected in enhanced shareholder value.

Accountability, including all the issues surrounding disclosure and transparency, is what provides legitimacy to the Board's actions. Shareholders elect directors to run the Company on their behalf and the Board is accountable to shareholders for its actions. Rules of corporate governance have been established by the Board to reinforce its standards for the Company. As part of these rules, the Company has adopted a Code of Business Conduct, supplemented by a global anti-corruption policy.

The corporate governance charter aims at providing a transparent disclosure of the Company's governance, which is further detailed in the Company's articles of association. It will be periodically reviewed and updated as required.

Technology Innovations in the People Function

We are on a journey to build a strategic People organisation that enables our employees to drive results and take on new challenges. We are empowering our employees with tools, capabilities, and accountability to own their people processes, manage their careers and develop their teams to support future business growth. We have innovated a self-service People Operating Model.

ABInbev University

AB InBev University is a platform available for learning and development for all employees in the Company.

Training

Compliance training was offered by the compliance team on the code of business conduct, anti-corruption policy, human rights policy, and declaration of interest policy.

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.

VPO is the way we operate our facilities and it has the objective to achieve the best results by creating a culture of continuous improvement and empowerment within the Supply function. It demands the disciplined execution of daily routines, the most efficient business processes, and the tracking of Key Performance Indicators across each site (Lusaka, Ndola and the Lusaka South MFEZ).

The Company ensures that it maintains independent product certification for its manufacturing operations from Zambia Compulsory Standards Agency (ZS 430 Clear Beer Manufacturing).

Shareholder Communication And Wider Stakeholders

Amongst our wider stakeholders we have had focused engagements with the following Government, regulatory and community players.

Covid-19 Relief Aid To Employees And Communities

COVID-19

Through our dream of creating a better world in the communities and responsible together campaign, we joined hands with the Ministry of Health and Lusaka City Council to help fight the Covid-19 pandemic through the following initiatives in 2021.

- Internal Covid-19 vaccination drive campaign: the internal vaccination drive was initiated to create awareness and encourage employees to get vaccinated voluntarily to protect themselves and their families from Covid-19
- COVID-19 vaccination and sensitisation drive in the communities: we sensitised and educated bar owners and members of the community in Chawama on the importance of getting vaccinated and distributed kits consisting of hand sanitisers and face masks to help fight the pandemic
- We donated hand sanitisers, disinfectants and PPE for onward delivery to health facilities and communities.

Our Purpose:

WE DREAM BIG TO CREATE A FUTURE WITH MORE CHEERS

ted Barley
CASTLE
LITE
CARLING
Black Label
BEER

Board of Directors

Monica Musonda

Monica Musonda joined the Board as Chair in 2019. A corporate lawyer turned entrepreneur, she is founder and Chief Executive Officer of Java Foods, a food-processing company. She has over 16 years post-qualification legal experience, having worked with the Attorney General of Zambia, in private practice with Clifford Chance (London) and Edward Nathan (Johannesburg), as Senior Counsel at the International Finance Corporation and as General Counsel with the Dangote Group before setting up Java Foods. She is the recipient of the 2017 African Agribusiness Entrepreneur of the Year award as well as 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.

Michelle Kilpin

Michelle Kilpin was appointed as the new Country Director of the Company effective 1st July 2021 and joined the Board on 29th July, 2021. Ms Kilpin has a Bachelor of Commerce (Hons.) degree from the University of Johannesburg and joined South Africa Breweries in 2004 as a Sales Representative, progressing to Formal on-Premise Channel Manager before working under AB InBev as Regional Director, Trade Marketing Director - South Africa and Innovation Director – Africa Zone for AB InBev.

Jito Kayumba

Jito Kayumba was appointed to the Board in July 2019 and chairs the Audit Committee. He is currently the Special Assistant to the President for Economic and Development Affairs. He was previously a Partner at Kukula Capital, a pioneering Venture Finance firm for close to 10 years. As a seasoned investment professional he provides insight on development financing and investment in Africa at numerous global fora. He has sat on numerous boards in various sectors, including telecom, micro-finance, technology, education, agriculture and retail. He is certified as an investment advisor, holds a degree in Political Science from Canada's Concordia University and a Master's degree in Business Administration from ALU School of Business.

Yannick Bomans

Mr Bomans was appointed to the Board on 18th November, 2021. He is currently Finance Director South East Africa at Anheuser-Busch InBev and has held various executive positions in finance and strategy since 2009. He joined the Group with an audit background, having begun his career with Deloitte Touche in 2006. He holds a Masters degree in Commercial Engineering from KU Leuven in Belgium.

Board of Directors

Jose Moran Ramirez

Jose D. 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. He served as Country Director for 4 years from September 2017 until June 2021 before being transferred to Country Director of Tanzania Breweries Ltd, a Group subsidiary.

Derrick Jansen van Vuuren

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. He resigned from the Board on 18th November, 2021

Obed Somali

Obed was appointed as Country Lead Finance and Director of the Board on 1st September, 2020. 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 initiatives to improve cash flow forecasting and control, and transform the payment system to an electronic-based system for improved visibility and reduced risks associated with cheque and cash transactions. He is an Associate Member of the Zambia Institute of Chartered Accountants (ZiCA) and a Chartered Global Management Accountant.

Management Committee

(Outgoing) Country Director

Jose Moran Ramirez
Jose D. 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. He served as Country Director for 4 years from September 2017 until June 2021 before being transferred to Country Director of Tanzania Breweries Ltd, a Group subsidiary.

Country Director

Michelle Kilpin
Michelle Kilpin was appointed as the new Country Director of the company effective 1st July 2021 and joined the Board on 29th July, 2021. Ms Kilpin has a Bachelor of Commerce (Hons.) from the University of Johannesburg and joined South Africa Breweries in 2004 as a Sales Representative, progressing to Formal on-Premise Channel Manager before working under AB InBev as Regional Director, Trade Marketing Director - South Africa and Innovation Director – Africa Zone for AB InBev.

Plant Manager Ndola

Esther Mapenda
Esther commenced her career with the business in 2005 as a Quality Assurance Superintendent. She has since held various positions in the quality function including a regional role which she took up in 2017 with the AB InBev Group. She was recently appointed to an in-country role as Plant Manager at our Ndola site in May 2021. She holds a Diploma in Brewing from the Institute of Brewing and Distilling, a Bachelor of Food Science and Technology degree from the University of Zambia, and a Master of Science in Quality Assurance from the California State University.

Country Lead Finance

Obed Somali
Obed was appointed as Country Lead Finance and Director of the Board on 1st September, 2020. 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. He is an Associate Member of the Zambia Institute of Chartered Accountants (ZiCA) and a Chartered Global Management Accountant.

Head of Logistics and Planning

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 led both the Sales and Operations Planning and Logistics functions. Lezanne holds a degree in BSc Agricultural Economics from the University of Pretoria. She transferred to a Group role in South Africa at the end of 2021.

Head of Procurement

Simon Nyondo
Simon took up the position of Country Procurement Manager in October 2020 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.

Head of Marketing

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.

Plant Manager Lusaka

Albert Malunga
Albert has an extensive wealth of experience in manufacturing. Having worked for TAP, Zambian Breweries and Coca Cola in different technical functions of manufacturing and completed the business management Traineeship programme, he currently heads the manufacturing process for the Lusaka Plant. He holds a Bachelors Degree in Production Management from the Copperbelt University.

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.

Out-going 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. Lusa was transferred during the course of the year to a Group position in South Africa

Out-going 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 had 27 years of manufacturing and warehousing/ distribution experience in the FMCG industry. He held 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. Darryl resigned in April 2021 and has sadly since passed away.

Company Secretary / Legal Counsel

Deborah Bwalya

Deborah joined the Company in 2014 as Legal Counsel and Company Secretary and was recently appointed as Legal Counsel - Zambia, Botswana and Namibia. She has over 15 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

Corporate Affairs Director from April 2015 to date. During this period he has led the protection of the business license to trade by supporting the commercial strategy, promoting a sound reputation and a favourable regulatory environment and driving the company's sustainability goals. Ezekiel is a chartered accountant and governance professional, a Fellow of ZICA and ACCA, Associate member of the Chartered Governance Institute (ICSA UK). He holds a Masters of Commerce in Development Finance (University of Cape Town), Global MBA (Oxford Brookes University, UK) and a post-graduate Diploma in Corporate Governance.

Malting Plant Manager

TapiwaPasi

Tapiwa has extensive experience in the malting and brewing industry. He has worked in different roles having started as Technical trainee at Delta Beverages, a part of Delta Corporation PLC in Zimbabwe, where he rose to become the Maltings Plant Manager looking after the Sorghum Malting and Barley Malting Plants. After 19 years with Delta, he joined Zambian Breweries as the Plant Manager for the Malting Plant in 2017. During his 23 years in the industry Tapiwa has been exposed to different malting process technologies and has been instrumental in turning around the fortunes of malting plant operations.

Annual Report of the Directors of the Board

The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2021, 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.There has been no significant changes in the Company's business during the year.

Share capital and beneficial ownership information

The authorised share capital of the Company remained unchanged at 600 million ordinary shares of K0.01 each. The issued and fully paid-up share capital remained at 546 million 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 changes in the beneficial owners during the year (2020: None).

Significant events during the year

There were no significant events during the year impacting the operations of the Company.

Results and dividend

The profit for the year of K148 million (2020: K5.9 million) has been added to retained earnings. The Directors have not declared a dividend (2020: K54.6 million) nor have any dividends been paid during the year (2020: Nil).

Directors and remuneration

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

Name	Position	
Monica Musonda	Chairperson	
Jito Kayumba	Non-Executive Director	
Obed Somali	Executive Director	
Michelle Nicola Kilpin	Executive Director	Appointed on 29 July 2021
Yannick Nicolas Bomans	Executive Director	Appointed on 18 November 2021
Jose Daniel Moran Ramirez	Executive Director	Resigned on 27 July 2021
Derrick Jansen van Vuuren	Executive Director	Resigned on 18 November 2021

During the year, the total Directors remuneration was K7.1million (2020: K4.1 million), comprised of K6.4 million (2020: K3.6 million) for services rendered by executive directors, and K0.7 million (2020: K0.5 million) for services rendered by non-executive directors.

During the year, the Company officers (directors, company secretary or executive officers of the Company) did not declare any material interest in the Company's transactions and business (2020: None).

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.

Annual Report of the Directors of the Board (Continued)

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K179 million (2020: K114 million) and the average number of employees was as follows:

Month	Number	Month	Number
January	911	July	899
February	911	August	900
March	908	September	895
April	909	October	895
May	906	November	895
June	905	December	891

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 K5.7 million (2020: K4.2 million) to charitable organisations and events.

Research and development

The Company did not incur any costs on research and development during the year (2020: Nil).

Exports

During the year, the Company did not export any goods or services (2020: Nil)

Property, plant and equipment

During the year, the Company purchased property, plant and equipment amounting to K641 million (2020: K298 million). 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 K2.3 million (2020: K1.7 million) as regards audit services

Signed on behalf of the Board of Directors,

Monica Musonda
Chairperson of the Board

7th March 2022

Michelle Kilpin
Country Director

7th March 2022

Statement of Directors Responsibilities

For the year ended 31 December 2021

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 122 of Part VII of the Companies Act, 2017 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.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of 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 8 to 45 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 requirements of the Companies Act, 2017 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 122 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 twelve months from the date these annual financial statements.

In the event the Company becomes unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in these annual financial statements.

Signed on behalf of the Board of Directors

Monica Musonda
Chairperson of the Board

7th March 2022

Michelle Kilpin
Country Director

7th March 2022

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 2021, 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 33 to 70 and comprise:

- the statement of financial position as at 31 December 2021;
- 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 of 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.

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
.

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

A list of Partners is available from the address above

Key audit matter	How our audit addressed the Key audit matter
Impairment of Goodwill 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"). Refer to Note 3 (*Critical accounting estimates and assumptions*) and Note 12 (Goodwill).	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 used in preparing the cash flow forecasts and company budget; • assessed the reasonableness of the projected cash outflows arising on repairs and maintenance expenditure against historic performance and commitments. • assessed the reasonableness the long-term growth rate against historical growth rate of the business; • assessed the determined discount rate to ensure it was representative of the risks specific to the CGU; • we 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; and • we tested the mathematical accuracy of the goodwill assessment performed and agreed information used to the general ledger.

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.
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.

pwc

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.

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.

Auditor's responsibilities for the audit of the annual financial statements (continued)

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 of Directors 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 of Directors, 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 requires that in carrying out our audit of Zambian Breweries Plc's, 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

7th March 2022

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


WITH 600 YEARS OF BRE
PURE MALT BECOM
THE LIFE
PERIOR
SMOOT
HNES
MOSI
LITE
ANNO 1366
Persons Unde

6 FINANCIAL STATEMENTS

Annual Financial Statements

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2021 K'000	2020 K'000
Revenue from contracts with customers	6	3,068,959	2,305,425
Cost of sales of goods	8	(2,024,857)	(1,346,701)
Gross profit		**1,044,102**	**958,724**
Other expenses	7	(244,307)	(458,473)
Net impairment credit on financial assets	4(b)	12,291	3,002
Distribution expenses	8	(208,749)	(178,028)
Administrative expenses	8	(413,157)	(302,323)
Operating profit		**190,180**	**22,902**
Finance income	9	2,978	1,557
Finance costs	9	(86,936)	(15,974)
Profit before income tax		**106,222**	**8,485**
Income tax credit/(expense)	11	41,730	(2,546)
Profit for the year		**147,952**	**5,939**
Other comprehensive income		-	-
Total comprehensive income for the year		**147,952**	**5,939**
Total comprehensive income for the period is attributable to:			
Owners of Zambian breweries Plc		128,911	5,175
Minority - controlling interests		19,041	764
		147,952	5,939
Basic and diluted earnings per share	19	0.27	0.01

The notes on pages 37 to 70 form an integral part of these annual financial statements

Annual Financial Statements

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of financial position

	Notes	As at 31 December 2021 K'000	2020 K'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,488,670	2,149,855
Intangible assets	13	22,661	22,816
Loan receivable	23	-	2,095
		2,511,331	2,174,766
Current assets			
Inventories	14	609,424	426,640
Trade and other receivables	15	238,316	150,474
Cash and cash equivalents	16	129,429	401,007
Current income tax asset	11	89,533	79,152
		1,066,702	1,057,273
TOTAL ASSETS		**3,578,033**	**3,232,039**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	17	5,460	5,460
Share premium	17	450,207	450,207
Retained earnings		683,337	535,385
		1,139,004	991,052
Non-current liabilities			
Deferred income tax	20	523,375	610,979
Current liabilities			
Borrowings	21	697,110	35,000
Trade and other payables	22	1,218,544	1,595,008
		1,915,654	1,630,008
Total equity and liabilities		**3,578,033**	**3,232,039**

The financial statements on pages 33 to 70 were approved for issue by the board of directors on 7th March 2022 and signed on its behalf by:

Monica Musonda
Chairperson of the Board

7th March 2022

Michelle Kilpin
Country Director

7th March 2022

The notes on pages 37 to 70 form an integral part of these annual financial statements.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of changes in equity

	Share Capital K'000	Share premium K'000	Retained earnings K'000	Total K'000
Year ended 31 December 2020				
At start of year	5,460	450,207	584,047	1,039,714
Profit for the year			5,939	5,939
Other comprehensive income:	-	-	-	-
Total comprehensive income for the year	-	-	5,939	5,939
Transactions with owners				
Dividends declared (Note 18)			(54,601)	(54,601)
Total transactions with owners			(54,601)	(54,601)
At year end	5,460	450,207	535,385	991,052
Year ended 31 December 2021				
At start of year	5,460	450,207	535,385	991,052
Profit for the year			147,952	147,952
Other comprehensive income:	-	-	-	-
Total comprehensive income for the year	-	-	147,952	147,952
At year end	5,460	450,207	683,337	1,139,004

The notes on pages 37 to 70 are an integral part of these annual financial statements.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of cash flows

	Notes	2021 K'000	2020 K'000
Cash flows from operating activities			
Cash (used in)/generated from operations	23	(182,845)	462,705
Interest income	9	831	197
Interest paid	9	(86,936)	(15,974)
Income tax paid	11	(71,536)	(95,825)
Net cash (out)/inflow from operating activities		(340,486)	351,103
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(641,442)	(297,492)
Proceeds from disposal of property, plant and equipment		9,519	697
Purchase of intangible assets	13	(2,763)	(951)
Advance to related party	24(iii)	-	(2,095)
Net cash outflow from investing activities		(634,686)	(299,841)
Cash flows from financing activities			
Proceeds from borrowings	21(i)	635,000	35,000
Loan principal repayments	21(i)	(35,000)	-
Net cash inflow from financing activities		600,000	35,000
Net (decrease)/increase in cash and cash equivalents		(375,172)	86,262
Movement in cash and cash equivalents			
At start of year		280,803	193,181
Net (decrease)/increase		(375,172)	86,262
Foreign exchange gains on cash and cash equivalents	9	1,574	1,360
At year end	16	(92,795)	280,803

The notes on pages 37 to 70 are an integral part of these annual financial statements.

1 General information

Zambian Breweries Plc is incorporated in Zambia under the Zambia Companies Act as a public limited company, listed on the Lusaka Stock Exchange and is domiciled in Zambia. The Company's registered office is:

Plot Number 6438
Mungwi Road,Heavy Industrial Area
Lusaka
Zambia

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

a) Basis of preparation

Compliance with IFRS

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS interpretations Committee (IFRS IC) applicable to entities reporting under IFRS. The annual financial statements comply with IFRS as issued by the International Accounting Standard Board (IASB).

Historical cost convention

The annual financial statements have been prepared on historical cost basis, except where otherwise stated in the accounting policies below. The annual financial statements are presented in Zambia Kwacha (K). Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

In accordance with the Companies Act, 2017 of Zambia, the annual financial statements for the year ended 31 December 2021 have been approved for issue by the Directors.

The preparation of annual financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or where assumptions and estimates are significant to the annual financial statements are disclosed in Note 3.

i) New and amended standards adopted by the Company

The Company has adopted the applicable new, revised or amended accounting pronouncements as issued by the International and Accounting Standards Board (IASB), which were effective for the Company from 1 January 2021.

The amendments to accounting standards below effective for the reporting period 1 January 2021 did not have any material impact on the Company's accounting policies and required no retrospective adjustments to the annual financial statements of the Company.

2 Summary of significant accounting policies (continued)

i) New and amended standards adopted by the Company (continued)

*Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2).*Annual periods beginning on or after 1 January 2021 (Published August 2020).The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment. Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published June 2020).The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

ii) New and amended standards not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use. Annual periods beginning on or after 1 January 2022 (Published May 2020) The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract. Annual periods beginning on or after 1 January 2022 (Published May 2020). The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Annual improvements cycle 2018 -2020. Annual periods beginning on or after 1 January 2022 (Published May 2020).

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS;
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation;

2 Summary of significant accounting policies (continued)

ii) New and amended standards not yet adopted by the Company

- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current.Annual periods beginning on or after 1 January 2022. (Published Jan 2020).The amendment clarifies 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 expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

b) Foreign currency translation

i) Functional and presentation currency

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The annual financial statements are presented in Zambia Kwacha, which is the Company's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations 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 profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

c) Revenue from contracts with customers

The Company's contracts with customers exist in various forms and typically take the form of signed agreements, approved customer purchase orders, invoices to customers, terms and conditions documents and customary business practices, all of which have commercial substance and impact the Company's future cash flows.

Sale of products

The Company manufactures and sells beverages to both direct customers (retail stores and supermarkets) and indirect customers (wholesalers and distributors)

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the custome 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.

Therefore, management has determined that the performance obligation is the sale of finished goods by the Company to its customers.

2 Summary of significant accounting policies (continued)

c) Revenue from contracts with customers (continued)

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Accordingly, revenue is recognised at point in time upon delivery of products and customer acceptance. 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.

Consideration payable to a customer

Gross-to-net reductions (GTN reduction) are generally payments and other considerations given to the trade (trade spending) or passed through to the consumer (consumer investment spending) or given to the customer (customer investment) and are presumed to be a reduction in the selling price of the Company's product. Trade spending typically involves discounts based on volume, early payment of invoices. All GTN reduction are accrued at the time of sell-in i.e. when the products are sold to the customers. Management estimates and accrues the cost of price concessions offered to the customer under the variable consideration guidance at the time of sell-in.

Contract modifications

Any subsequent purchase order/invoice is submitted at a future time and is independent from any previous or future order. Given that the contracts are for a single performance obligation and short-term in nature, contract modifications are generally not applicable to the Company.

Contract assets and liabilities

Contract assets primarily relate to the Company's right to consideration for the products delivered but not billed at the reporting date on the customer contracts. The contract assets are transferred to trade receivables when the rights become unconditional. Contract liabilities primarily relate to consideration received from the customer for which revenue is recognised when the goods and services are provided.

As at the reporting period, the Company had no contract assets and liabilities.

2 Summary of significant accounting policies (continued)

d) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income. Interest income is recognised using the effective interest method.

e) 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.

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
Plant and Machinery 15 - 20 years
Containers and crates 3 - 5 years
Motor vehicles 4 - 5 years
Furniture and fittings and computer equipment 5 – 10 years

Capital work in progress, which represents additions to property, plant and equipment that have not yet been brought into use, is not depreciated. Additions are transferred into the above depreciable asset classes once they are brought into use. Capital work in progress is measured at cost less impairments.

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.

Property, 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 Summary of significant accounting policies (continued)

f) Intangible assets

i) Goodwill (continued)

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.

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;
- 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 licences are carried at cost less accumulated amortisation and the amortisation is calculated using the straight-line method These costs are amortised over their estimated useful lives of three years. Costs associated with maintaining computer software program are recognised as an expense in profit or loss as incurred.

2 Summary of significant accounting policies (continued)

g) Leases

The following sets out the Company's lease accounting policy for all leases with the exception of leases with low-value and short term of less than 12 months for which the Company has taken the exemption under the standard and are expensed to profit or loss as incurred.

i) Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use under the contract). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date (which do not form part of the lease liability value at the commencement date). Right of use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The right-of-use assets are tested for impairment in accordance with IAS 36 "Impairment of Assets".

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of all remaining lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments where the contracts specify fixed or minimum uplifts) and variable lease payments that depend on an index or a rate.

The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs. Due to the nature of the leased assets the interest rate implicit in the lease is usually not readily determinable, the Company therefore uses the incremental borrowing rate in calculating the present value of lease payments at the lease commencement date.

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. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

As at the reporting period, the Company had insignificant leasing arrangements of low value and short term. Therefore, the Company has taken the exemption under the standard and these have been expensed to profit or loss as incurred.

h) Inventories

Raw materials and stores, work in progress and finished goods 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. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

2 Summary of significant accounting policies (continued)

i) Financial instruments

Financial instruments comprise trade and other receivables (excluding prepayments), cash and cash equivalents, borrowings, lease liabilities other non-current liabilities and trade and other payables.

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Classification and measurement

Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Company's financial assets as at reporting period satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include trade receivables, other receivables and cash and cash equivalents.

Financial liabilities

The Company's financial liabilities are classified as amortised cost. except for those derivative liabilities that are measured at fair value through profit and loss. Financial liabilities are recognised initially at fair value and inclusive of directly attributable transaction costs. The Company's financial liabilities trade and other payables, payables to customers, borrowings and Derivative financial instruments.

Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15 Revenue from Contracts with Customers.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach to determine impairment of receivables. The simplified approach requires expected lifetime losses to be recognized from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities

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.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Substantial modification

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument. Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument

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.

As at the reporting period, there were no assets and liabilities off-set relating to financial instruments.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

j) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. 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 group 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)

2 Summary of significant accounting policies (continued)

k) Other receivables and prepayments

These amounts generally arise from transactions outside the usual operating activities of the Company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Prepayments are amounts paid in advance during the accounting period for an underlying asset that will be consumed in a future period. When the asset is used or consumed, the prepayments are amortised, and costs are recognised in operating expenses. Prepayments are stated at their nominal values in the financial statements.

l) 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 balance sheet.

m) Share capital

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 deduction from the proceeds.

n) Dividends

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

o) Earnings per share

i) Basic 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.

ii) Diluted earnings per share

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 Summary of significant accounting policies (continued)

p) 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 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 non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

q) Borrowings 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.

r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. 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.

s) Employee benefits

i) 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.

2 Summary of significant accounting policies (continued)

s) Employee benefits (continued)

ii) 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.

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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.

t) Income tax

i) Current Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

As disclosed in Note 20, deferred tax assets and liabilities are offset as there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax balances relate to the same taxation authority.

2 Summary of significant accounting policies (continued)

t) Income tax (continued)

ii) Deferred income tax (continued)

enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

3 Critical accounting estimates and judgements

The preparation of annual financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also exercises judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included together with information about the basis of calculation for each affected line item in the annual financial statements.

The estimates and assumptions that have significant risk 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 f(i). The recoverable amount of cash-generating units have been determined using the value in use model. The assumptions used in the calculations are as set out in Note 13(i).

ii) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4(b).

iii) Estimation of deferred tax liability and current tax expense in relation to an uncertain tax position

The Company has an investment incentive license under the Zambia Development Agency (ZDA), Section 56 of the ZDA Act, No. 11 of 2006. Under the Act, the Company's Brewery plant located in Lusaka is taxed at a lower rate than the enacted tax rate.

Management considers it probable that a tax deduction will be available and has calculated the current tax charge on this basis. However, as the tax authority, the Zambia Revenue Authority (ZRA) is yet to confirm its interpretation, management has adopted a prudent approach by recognising a liability for anticipated taxes in deferred tax such that in the event that the tax authority will interpret the tax benefits differently, the tax expense will not be materially impacted. Refer to Note 20 for liability recognized.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4 Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

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 Africa BV, the 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*

i) *Foreign exchange risk exposure*

Foreign exchange risk arises when recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), South African Rand (ZAR) and EURO (EUR). To manage foreign exchange risk, the Company holds bank balances in the relevant foreign currencies and continuously monitor markets and purchase any foreign currency required at the spot rate.

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			Total
	ZAR	**USD**	**EUR**	
As at 31 December 2021	**K'000**	**K'000**	**K'000**	**K'000**
Cash and cash equivalents	11,148	73,176	3,270	87,594
Trade and other payable	(275,529)	(102,173)	(62,794)	(440,496)
	(264,381)	(28,997)	(59,524)	(352,902)
As at 31 December 2020				
Cash and cash equivalents	12,505	16,082	14,757	43,344
Trade and other receivables	1,568	9	-	1,577
Trade and other payable	(464,042)	(383,851)	(28,223)	(876,116)
	(449,969)	(367,760)	(13,466)	(831,195)

Sensitivity

At 31 December 2021, if the Zambian Kwacha had weakened/strengthened by 8% (2020: 8%) 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 K37 million (2020: K36 million) higher/lower, mainly as a result of the ZAR denominated trade payables, other receivables and bank balances.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4 Financial risk management (continued)

a) Market risk (continued)

i) Foreign exchange risk exposure (continued)

At 31 December 2021, if the Zambian Kwacha had weakened/strengthened by 13% (2020: 13%) 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 K48 million (2020: K47.8 million) higher/lower, mainly as a result of the USD denominated trade payables and bank balances.

At 31 December 2021, if the Zambian Kwacha had weakened/strengthened by 10%% (2020: 10%) 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 K1.2 million (2020: K1.3 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 main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

The exposure of the Company's borrowings to interest rate changes at the end of the reporting period are as follows:

	2021 K'000	**% of total loans**	**2020 K'000**	**% of total loans**
Variable rate borrowings	635,000	100%	35,000	100%

The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings. None of the borrowings are referenced to a benchmark interest rate subject to interbank offered rates (IBOR) reform.

As at 31 December 2021, with other variables unchanged, a 2% (2020: 2%) decrease/increase in the base interest rate would have resulted in an immaterial (2020: Immaterial) change in post-tax profit for the year and shareholders' equity.

iii) Price risk

The Company does not hold any financial instruments subject to price risk (2020: Nil).

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

i) Risk management

For banks and financial institutions, the Company only accepts reputable well-established financial institutions. The Company's risk control unit 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 ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

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

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4 Financial risk management (continued)

b) Credit risk (continued)

ii) Security

For some trade receivables, the Company may obtain security in the form of guarantees, deeds of undertaking 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 three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- Cash and cash equivalents
- Other financial assets at amortised cost

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company's historical credit loss experience does not show significantly different loss patterns for the various customer segments. Therefore, the grouping of trade receivables is not disaggregated into further risk profiles other than days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 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 the receivables. However, as at period end and unchanged from prior year, management determined that there was no positive correlation between generally observable macro-economic factors such as inflation, GDP, and interest rates on the customers in default for the past 36 months.

There were no changes in the estimation techniques or significant assumptions made as at the reporting period. The amount that best represents the Company's maximum exposure to credit risk is the carrying value of its financial assets as presented in the statement of financial position.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables;

31 December 2021

	Current	31 -60 days past due	61 – 90 days past due	91-120 days past due	Over 120 days past due	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Gross carrying amount	107,615	491	163	408	423	109,100
Expected Loss rate	3.1%	42.6%	59.5%	77.0%	100.0%	
Loss allowance	(3,336)	(209)	(97)	(313)	(423)	(4,379)
Amortised cost	104,279	282	66	94	-	104,721

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4 Financial risk management (continued)

b) *Credit risk (continued)*

ii) Impairment of financial assets (continued)

31 December 2020

	Current	31 -60 days past due	61 – 90 days past due	91-120 days past due	Over 120 days past due	Total
	K'000	K'000	K'000	K'000	K'000	K'000
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)
Amortised cost	88,716	907	766	160	-	90,549

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

	2021	2020
	K'000	K'000
At start of year	16,670	19,672
Impairment credit recognised in profit or loss	(12,291)	(3,002)
	4,379	16,670

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.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The loss allowance recognised is categorised as follows:

	2021	2020
	K'000	K'000
Performing debtors	3,956	5,520
Non-performing debtors	423	11,150
	4,379	16,670

Cash and cash equivalents

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

Other financial assets at amortised cost

Other financial assets at amortised cost relate to receivables from related parties, staff debtors, and sundry debtors. All of the Company's other financial assets at amortised cost are considered to have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4 Financial risk management (continued)

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 implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines and monitors rolling forecasts of the Company's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows.

i) Financing arrangements

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

	2021	2020
Floating rate	K'000	K'000
Expiring within one year (bank loan & overdrafts)	375,411	240,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

ii) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. 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 K'000	Between 1 and 2 years K'000	Total K'000
At 31 December 2021			
Trade and other payables*	1,168,612	-	1,168,612
Borrowings	721,936	-	721,936
	1,809,061	-	1,809,061
At 31 December 2020			
Trade and other payables*	1,498,470	-	1,498,470
Borrowings	36,586	-	36,586
	1,535,056	-	1,535,056

*Trade and other payables exclude statutory liabilities as these are imposed by law and therefore do not meet the definition of financial instruments.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4 Financial risk management (continued)

c) *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.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio which is calculated as Net debt divided by Total 'equity' (as shown in the statement of financial).

During 2021, the Company's strategy, which was unchanged from 2020, was to maintain a gearing ratio of less than 50%. The gearing ratio is not part of the contractual debt covenants imposed by the lenders. Therefore, there is no adverse financing implications on the Company in the event that the ratio deteriorates. The gearing ratio at 31 December 2021 (2020: Nil) was as follows:

	2021
	K'000
Net debt (Note 21)	567,681
Total equity	1,139,004
Net debt to equity ratio	50%

The net debt to equity ratio increased from 0% to 49% as a result of additional bank loans and overdrafts facilities drawn during the year as shown in shown 21(i).

d) *Financial instruments by category*

	2021	**2020**
	K'000	**K'000**
Financial assets at amortised cost		
Trade and other receivables*	194,515	141,466
Cash and cash equivalents	129,429	401,007
	323,944	542,473
Financial liabilities at amortised cost		
Borrowings	697,110	35,000
Trade and other payables*	1,168,612	1,498,470
	1,865,722	1,533,470

*A prepayment represents a right to receive a good or service and not cash or a financial asset. Statutory liabilities are imposed by law. Therefore, these do not meet the definition of financial instruments and have been excluded in the table above.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

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.

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

Alcoholic beverages	**2021 K'000**	**2020 K'000**
Revenue from external customers	3,068,959	2,305,425
Fixed and variable expenses	(2,596,628)	(2,073,789)
EBITA	472,331	231,636
Interest income	831	197
Interest expense	(86,936)	(15,974)
Depreciation	(277,086)	(204,638)
Amortisation	(2,918)	(2,736)
Income tax (credit)/expense	41,730	(2,546)
Profit after tax	147,952	5,939
Total assets	3,578,033	3,232,039
Total liabilities	2,439,029	2,240,987

6 Revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major revenue lines:

	2021 K'000	**2020 K'000**
Alcoholic beverages - locally produced	2,310,117	1,814,940
Alcoholic beverages - imported	758,842	490,485
	3,068,959	2,305,425
Timing of revenue recognition		
At point in time	3,068,959	2,305,425

7 Other expenses

(Loss)/profit on disposal of property, plant and equipment	(4,892)	697
Foreign exchange losses on working capital	(242,786)	(418,660)
Sundry income/(expenses)	3,371	(40,510)
	(244,307)	(458,473)

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

8 Breakdown of expenses by nature

Cost of sales of goods		
Raw materials and consumables used	1,510,945	921,333
Royalties	171,981	129,639
Container write-down	148,859	104,603
Depreciation	115,741	92,453
Employee benefits (Note 10)	43,315	50,680
Repairs and maintenance	22,550	34,218
Other miscellaneous direct expenses	11,466	13,775
	2,024,857	1,346,701
Distribution expenses		
Transportation	151,006	112,356
Depreciation	28,317	22,126
Consumables used	17,429	32,761
Employee benefits (Note 10)	6,551	6,272
Repairs and maintenance	1,334	1,039
Other miscellaneous expenses	4,112	3,474
	208,749	178,028
Administrative expenses		
Management fees	112,890	67,528
Employee benefits (Note 10)	128,881	62,394
Marketing	71,750	71,702
Repairs and maintenance	19,535	19,659
Bank charges	7,527	6,846
Depreciation	7,484	5,201
Insurance	5,058	3,201
Consulting services	3,509	7,780
Amortisation (Note13)	2,918	2,736
Auditor’s remuneration	2,300	1,700
Other miscellaneous expenses	51,305	53,576
	413,157	302,323
Total Cost of sales of goods, Distribution and Admin expenses	2,646,763	1,827,052

9 Finance income/(costs)

Finance income		
Interest income	1,404	197
Foreign exchange gains on cash and cash equivalents	1,574	1,360
	2,978	1,557
Finance costs		
Interest expense on bank overdrafts	(26,049)	(14,388)
Interest expense on bank loans (Note 21)	(60,887)	(1,586)
	(86,936)	(15,974)
Net finance costs	(83,958)	(14,417)

10 Employee benefits

	2021 K’000	2020 K’000
Salaries and other staff costs	171,314	106,426
Retirement benefits costs:		
NAPSA and Saturnia pension scheme contributions	14,933	12,242
Medical aid contributions	882	678
	178,747	119,346

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

10 Employee benefits (continued)

Allocated as:		
Cost of sales of goods	43,315	50,680
Distribution expenses	6,551	6,272
Administrative expenses	128,881	62,394
	178,747	119,346

11 Income tax (credit)/expense

A change in tax rate from 35% to 30% was substantively enacted on 29 October 2021, with effect from 1 January 2022. The change has no impact on current tax liabilities arising before its effective date except for the relevant deferred tax balances which have been remeasured as disclosed in Note 20.

The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

	2021 K'000	**2020 K'000**
Current income tax e	45,874	30,804
Deferred income tax credit (Note 20)	(375)	(24,669)
Impact of change in tax rate (Note 20)	(87,229)	-
Overprovision of current income tax in prior year	-	(3,589)
	41,730	2,546

i) Numerical reconciliation of income tax expense to prima facie tax payable

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

	2021 K'000	**2020 K'000**
Profit before income tax	106,222	8,485
Tax calculated at the statutory income tax rate of 35% (2020:35%)	37,178	2,970
Tax effects of:		
Expenses not deductible for tax purposes	23,066	30,831
Effect of a lower tax rate - ZDA incentive	(14,745)	(27,666)
Impact of change in tax rate (Note 20)	(87,229)	-
Overprovision of current income tax from prior years	-	(3,589)
	(41,730)	2,546

ii) Movement in current income tax on the statement of financial position

At start of year	(79,152)	(10,542)
Current income tax charge	45,874	30,804
VAT and excise duty payable netted off with tax asset	15,281	-
Overprovision of current income tax from prior years	-	(3,589)
Payments during the year	(71,536)	(95,825)
At end of year	(89,533)	(79,152)

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

12 Property, plant and equipment

	Buildings K'000	Motor vehicles K'000	Plant, containers, fixtures and fittings K'000	Capital work in progress K'000	Total K'000
As 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 value	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)
Net book value	421,918	30,888	1,486,518	210,531	2,149,855
As 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

Assets classified as capital work in progress mainly 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.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

12 Property, plant and equipment (continued)

	Buildings K'000	Motor vehicles K'000	Plant, containers, fixtures and fittings K'000	Capital work in progress K'000	Total K'000
As 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
Year ended 31 December 2021					
Opening net book value	421,918	30,888	1,486,518	210,531	2,149,855
Additions	18	-	160,649	480,775	641,442
Transfers	90,412	17,358	450,147	(557,917)	-
Disposals	-	-	(14,411)	-	(14,411)
Write-off	(1,095)	(104)	(9,931)	-	(11,130)
Depreciation charge	(15,507)	(11,827)	(249,752)	-	(277,086)
Net book value	495,746	36,315	1,823,220	133,389	2,488,670
As at 31 December 2021					
Cost	555,616	126,376	2,848,954	133,389	3,664,335
Accumulated depreciation	(59,870)	(90,061)	(1,025,734)	-	(1,175,665)
Net book value	495,746	36,315	1,823,220	133,389	2,488,670

Assets classified as capital work in progress mainly 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.

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

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

13 Intangible assets

	Goodwill	Computer software	Total
As at 31 December 2019	**K'000**	**K'000**	**K'000**
Cost	17,061	21,436	38,497
Accumulated depreciation	-	(13,896)	(13,896)
Closing net book value	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
As at 31 December 2020			
Cost	17,061	22,387	39,448
Accumulated depreciation	-	(16,632)	(16,632)
Closing net book value	17,061	5,755	22,816
Year ended 31 December 2021			
Opening net book value	17,061	5,755	22,816
Additions	-	2,763	2,763
Amortisation charge	-	(2,918)	(2,918)
Closing net book value	17,061	5,600	22,661
As at 31 December 2021			
Cost	17,061	25,150	42,211
Accumulated depreciation	-	(19,550)	(19,550)
Closing net book value	17,061	5,600	22,661

i) Goodwill

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to operating segment, being *alcoholic beverages.* The Directors monitor the business on the basis of the operating segments and have thus allocated the goodwill on that basis.

The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budgets approved by management covering a five-year period. Within the five-year period, revenue growth rates are based on past experience and expected future developments in the Company's CGUs. The weighted average growth rates used are consistent with the forecasts included in industry reports. Cash flows beyond the five-year period were valued using the estimated terminal growth rates stated below. The terminal growth rates did not exceed the long-term average growth rate for the business in which each CGU operates.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

13 Intangible assets (continued)

i) *Goodwill (continued)*

Assumptions

The key assumptions to the value-in-use calculations are:

	2021	2020
Discount rate	25.7%	27.9%
Terminal growth rate	14%	12%
Revenue	14%	13.5%

Sensitivity analysis

The Directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount

A nil growth in revenue and terminal growth rate would not lead to an impairment trigger nor a discount rate of over 100%.

The recoverable amount of the cash generating unit (CGU) calculated based on value in use exceeded the carrying value of the net assets by K10.2 million (2020: K3 million).

14 Inventories

	2021 K'000	2020 K'000
Raw materials	401,192	271,151
Work in progress	19,630	1,785
Finished goods	65,338	28,093
Goods in transit	33,351	51,359
General stores and consumables	89,913	74,252
	609,424	426,640

Inventories recognised as an expense during the year ended 31 December 2021 amounted to K1.4 million (2020: K1 million).

Movements on the provision for impairment of inventories are as follows:

	2021 K'000	2020 K'000
At start of year	4,458	38,000
Released	(1,426)	(33,542)
At end of year	3,032	4,458

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

15 Trade and other receivables

	2021 K'000	2020 K'000
Trade receivables	109,100	107,219
Loss allowance (Note 4(b))	(4,379)	(16,670)
	104,721	90,549
Amounts due from related parties (24(ii))	33,104	-
Loan receivable from related parties (Note 24(iii))	2,223	-
Prepayments	7,689	9,008
VAT receivable	36,112	-
Other receivables	54,467	50,917
	238,316	150,474

Due to the short-term nature of current receivables, their carrying amount are considered to be same as their fair value.

16 Cash and cash equivalents

	2021 K'000	2020 K'000
Cash and cash equivalents	129,429	401,007

i) Reconciliation to cashflow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2021 K'000	2020 K'000
Balances as above	129,429	401,007
Bank overdrafts (Note 21)	(62,110)	-
Security deposits from customers on containers (Note 22)	(160,114)	(120,204)
	(92,795)	280,803

ii) Classifications as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

iii) Restricted cash

The cash and cash equivalents disclosed above include security deposits of K160 million (2020: K120 million) from customers on containers meant to be returned to the Company upon the next purchase of beverages. The Company recognizes a corresponding liability in trade and other payables. These deposits are therefore not available for general use except where there is evidence that the customer will not return the containers and liability portion is waived and recognised in profit or loss.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

17 Share capital and share premium

	2021	2020
Share capital	K'000	K'000
Ordinary shares – *paid up*	5,460	5,460
Share premium		
Ordinary shares	450,207	450,207

The authorised share capital of the Company remained unchanged at 600 million ordinary shares at a par value of K0.01 each. The issued and fully paid-up share capital remained at 546 million ordinary shares at a par value of K0.01 each. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

18 Dividends per share

During the year, there were no dividends declared by the Directors. In prior year, 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.

19 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.

	2021	2020
Profit attributable to equity holders of the Company ('000)	147,952	5,939
Weighted average number of ordinary shares in issue ('000)	546,000	546,000
Basic and diluted earnings per share (in Kwacha)	0.27	0.01

20 Deferred income tax

As deferred tax is expected to reverse in 2022 and beyond, the balances have been measured using the substantively enacted rate of 30% for 2022 (2020; 35%). The movement on the deferred income tax account is as follows:

	2021 K'000	2020 K'000
At start of year	610,979	635,648
Credit	(375)	(24,669)
Impact of change in tax rate	(87,229)	-
At year end	523,375	610,979

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

20 Deferred income tax (continued)

Deferred income tax assets and liabilities and deferred income tax charge/(credit) in profit or loss are attributable to the following items:

	At start of year K'000	Impact of change in tax rate	Profit or loss K'000	At end of year K'000
Year ended 31 December 2021				
Deferred income tax liabilities				
Property, plant and equipment	572,553	(94,842)	91,338	569,049
Provision against ZDA benefit	177,073	(28,879)	25,082	173,276
Deferred income tax assets				
Tax losses carried forward	(53,743)	27,992	(142,201)	(167,952)
Other temporary differences	(84,904)	8,500	25,406	(50,998)
Net deferred income tax liability	610,979	(87,229)	(375)	523,375
Year ended 31 December 2020				
Deferred income tax liabilities				
Property, plant and equipment	345,056	-	227,497	572,553
Provision against ZDA benefit	307,537	-	(130,464)	177,073
Deferred income tax assets				
Tax losses carried forward	-	-	(53,743)	(53,743)
Other temporary differences	(16,945)	-	(67,959)	(84,904)
Net deferred income tax liability	635,648	-	(24,669)	610,979

21 Borrowings

	2021 K'000	2020 K'000
Bank loans		
Stanbic Bank loan	475,000	35,000
First National Bank (FNB) loan	160,000	-
	635,000	35,000
Bank overdrafts		
Citibank Zambia Limited	36,980	-
Standard Chartered Bank Zambia Limited	25,130	-
	62,110	-
	697,110	35,000

Stanbic Bank loan

The Kwacha denominated short-medium term loan facility was obtained from Stanbic Bank Limited for the purpose of working capital requirements. The interest is charged at a rate determined by the prevailing Bank of Zambia Policy Rate plus a margin of 3.5%. The loan is unsecured and is repayable in April 2022. As at period end, the effective interest rate was 12% (2020:13.6%).

First National Bank (FNB) loan

The Kwacha denominated short-medium term loan facility was obtained from FNB during the year for the purpose of working capital requirements. The interest is charged at a rate determined by the prevailing Bank of Zambia Policy Rate plus a margin of 3.5%. The loan is unsecured and is repayable in May 2022. As at period end, the effective interest rate was 17%.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

21 Borrowings (continued)

Bank-overdrafts

The bank overdraft facilities are held with three different banks namely, Stanbic Bank Zambia Limited, Citi Bank Zambia Limited and Standard Chartered Bank Zambia Limited.

The bank overdraft facilities 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 effective interest rate during the period averaged 13% (2020: 14.03%).

i) Movement in borrowings on the statement of financial position

This section sets out an analysis of the movements in bank loans for each of the periods presented.

	Stanbic loan K'000	FNB loan K'000	Total K'000
Year ended 31 December 2020			
At start of year	-		
Loan advanced	35,000	-	35,000
Interest charged	1,586	-	1,586
Interest paid	(1,586)	-	(1,586)
	35,000	-	35,000
Year ended 31 December 2021			
At start of year	35,000	-	35,000
Loan advanced	475,000	160,000	635,000
Loan principal repayments	(35,000)	-	(35,000)
Interest charged	48,007	12,880	60,887
Interest paid	(48,007)	(12,880)	(60,887)
	475,000	160,000	635,000

ii) Loan covenants

As at the reporting period, and unchanged from prior year, there were no financial covenants under the terms of the borrowing facilities.

iii) Fair value

Due to the short nature of the borrowings, the fair values are not materially different from their carrying amounts.

iv) Net debt reconciliation

This section sets out an analysis of net debt for each of the periods presented. Net debt is calculated as total borrowings less cash and cash equivalents.

	2021 K'000	2020 K'000
Cash and cash equivalents (Note 16)	129,429	401,007
Bank overdrafts	(62,110)	-
Bank loans	(635,000)	(35,000)
(Net debt)/cash surplus	(567,681)	366,007

Liabilities from financing activities in the cashflow statement are as disclosed above in the movement for borrowings.

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

22 Trade and other payables

	2021 K'000	2020 K'000
Trade payables	205,268	205,099
Amounts due to related parties (Note 24(ii))	518,896	999,087
Statutory liabilities	49,933	96,538
Dividend payable	54,605	54,887
Security deposits from customers on containers	160,114	120,204
Other payables	229,728	119,193
	1,218,544	1,595,008

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

23 Cash generated from operations

	2021 K'000	2020 K'000
Cash flows from operating activities		
Profit before tax	106,222	8,485
Adjustments for:		
(Loss)/profit on sale of property, plant and equipment (Note 7)	4,892	(697)
Interest income (Note 9)	(1,404)	(197)
Interest expense on bank loans and overdrafts (Note 9)	86,936	15,974
Depreciation on property, plant and equipment (Note 12)	277,086	204,638
Write off of property, plant and equipment (Note 12)	11,130	2,245
Amortisation of intangible asset (Note 13)	2,918	2,736
Foreign exchange gains on cash and cash equivalents	(1,574)	(1,360)
Non-cash movement on VAT and excise duty (Note 11(ii))	15,281	-
Changes in working capital:		
Inventories	(182,784)	60,027
Trade and other receivables	(87,842)	104,820
Trade and other payables*	(413,706)	66,034
Cash (used in)/generated from operations	(182,845)	462,705

*The movement in trade payables excludes the security deposits from customers on containers

24 Related party transactions

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2021	Ownership interest 2020
AB InBev Africa BV	Immediate parent entity	Netherlands	87.13%	87.13%
AB InBev NV/SA	Ultimate controlling parent entity	Belgium	62%	62%

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

24 Related party transactions (continued)

i) Transactions with other related parties

The following transactions occurred with related parties:

	2021 K'000	2020 K'000
Purchase of goods		
South African Breweries (Pty) Limited - fellow subsidiary	589,224	273,874
Anheuser Busch InBev Namibia- fellow subsidiary	-	6,379
Kgalagadi Breweries Plc- fellow subsidiary	-	456
Tanzania Breweries Plc- fellow subsidiary	-	927
Cervejas De Mocambique	14,005	1,280
Mubex- fellow subsidiary	677,897	411,605
Purchase of management services		
AB Inbev Africa (Pty) Limited. - fellow subsidiary	112,890	71,501
Purchase of brand services (royalties)		
AB InBev International Brands Ltd - fellow subsidiary	171,982	129,639
	1,565,998	895,661

ii) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2021 K'000	2020 K'000
Receivables		
Tanzania Breweries Plc	30,562	-
Mozambique Breweries Ltd	419	-
South African Breweries (Pty) Ltd	2,123	-
	33,104	-
Payables		
AB Inbev Africa (Pty) Limited.	-	180,968
South African Breweries (Pty) Ltd	162,201	226,951
AB InBev Management Limited	35,957	121,064
AB InBev International Brands Ltd	29,398	168,642
Tanzania Breweries Plc	-	1,016
Anheuser Busch InBev Namibia	-	1,390
Kgalagadi Beverages	-	463
Business connexion Pty Ltd	124	-
Mubex	141,169	122,861
Cervejas De Mocambique	-	22,332
Heinrich Syndicate Limited	150,047	153,400
	518,896	999,087

For the year ended 31 December 2021 (All amounts are stated in thousands of Kwacha unless otherwise stated)

24 Related party transactions (continued)

iii) Loans to related parties

On 28 August 2020, the Company entered into a two year facility agreement with an entity, Manja Pamodzi Foundation Limited (MPFL) related by common directorship. The Company made available to MPFL a revolver facility of K2.5 million. The facility has an interest rate of 5%, is unsecured and repayable on 28 August 2022.

	2021 K'000	2020 K'000
Non-current portion		
Loan receivable- Manja Pamodzi Foundation Limited	-	2,095
Current portion		
Loan receivable - Manja Pamodzi Foundation Limited	2,223	-

This section sets out an analysis of the movements in the loan receivable for each of the periods presented.

	2021 K'000	2020 K'000
At start of year	2,095	-
Loan advanced	-	2,095
Interest received	128	-
	2,223	2,095

iii) Key management compensation

Key management includes Directors (Executive and Non-Executive) and members of senior management personnel as below:

- 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

The compensation paid or payable to key management for employee services is shown below:

	2021 K'000	2020 K'000
Salaries and short-term emoluments	15,051	13,695
Other emoluments	1,227	
Retirement benefit cost -NAPSA contributions	400	332
	16,678	14,027

iv) Directors' remuneration

	2021	2020
Non-executive Director fees	665	497
Executive Director salaries and short-term emoluments	5,919	3,545
Other emoluments	422	-
Retirement benefit costs – NAPSA contributions	73	69
	7,079	4,111

25 Contingencies

The Company is party to various legal cases whose outcome is dependent on the conclusion of the Zambian judicial process. Management makes estimates for the outcomes of these cases based on professional advice. There are some cases where, based on professional advice received, the directors have not made any provision. The value of potential claims against the Company that would likely result in an unfavourable outcome as at 31 December 2021 is K10 million (2020: K10 million).

Transfer pricing

Following the transfer pricing audit that was conducted on the Company by the Zambia Revenue Authority (ZRA) for the charge years 2013 to 2018, findings revealed a payable of K417 million communicated to the Company on 26 November 2021 on account of inadequacies in the transfer pricing documentation. Management has contested the liability and further investigations and discussions with the ZRA are underway. Management is of the view that the liability is unlikely to hold.

26 Commitments

i) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities was K0.5 million (2020: Nil).

ii) Operating commitments

Contractual obligation for future purchase of raw materials not recognised as a liability was K1 million (2020: K26 million).

27 Events occurring after the reporting period

Beyond 2021, the existence of novel coronavirus (Covid-19) has continued to cause disruptions to businesses and economic activity.

To date, the Company has not seen, nor expects to see in the near future, a major impact on its operations by the pandemic, however, should the pandemic continue for an extended period of time, there's a possibility that the risks will materialize and hence have a significant impact on the Company's financial performance.

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2021 is as follows:

	Name of shareholder	%	Number of shares
1.	AB INBEV AFRICA BV	87.13	475,732,350
2.	STANDARD CHARTERED ZAMBIA SECURITIES SERVICES NOMINEES LTD	3.49	19,035,125
3.	SATURNIA REGNA PENSION TRUST FUND	2.80	15,272,664
4.	STANBIC NOMINEES ZAMBIA LIMITED	1.35	7,383,637
5.	KCM PENSION TRUST SCHEME	1.33	7,242,431
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	97.70	533,426,310
	Not selected	2.30	12,573,690
	Issued shares	100.00	546,000,000

Distribution of shareholders

	Number of Shareholders	%	Number of Shares
Less than 500 Shares	581	43.36	133,308
501- 5,000	498	37.16	1,144,246
5,001- 10,000	124	9.25	529,311
10,001- 100,000	97	7.24	1,876,980
100,001- 1,000,000	21	1.57	6,866,440
Over 1,000,000	19	1.42	535,456,515
	1,340	100.00	546,006,800

Directorate and Corporate Information

DIRECTORS
Monica Musonda*
Jito Kayumba*
Jose Danial Moran***
Obed Somali*
Derrick Van Vuuren**
Michel Kilpin**
Yannick Bomans****

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Deborah Bwalya*

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

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