

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



NATIONAL BREWERIES PLC

NATIONAL BREWERIES PLC ("NATBREW")
[Incorporated in the Republic of Zambia]

Company registration number: 4999
Share Code: NATBREW
ISIN: ZM0000000086
Authorised by: Vongai Chiwaridzo – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited
[Founder Member of the Lusaka Securities Exchange]
[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 04 June 2020



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["Natbrew" or "the Company"]

ABRIDGED FINANCIAL STATEMENTS

The Directors of National Breweries PLC ("Natbrew" or "the Company") present the Abridged Audited Financial Results for the Year-Ended 31 March 2020.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March 2020	15 months ended 31 March 2019	
	K'000	K'000	
Revenue	226,552	327,528	-31%
Cost of sales	<u>(168,316)</u>	<u>(207,818)</u>	19%
Gross profit	58,236	119,710	-51%
Distribution costs	<u>(18,535)</u>	(24,284)	24%
Administrative expenses	<u>(109,613)</u>	<u>(117,321)</u>	7%
Operating loss	(69,912)	(21,895)	-219%
Finance income	61	313	-81%
Net exchange losses	<u>(18,223)</u>	(6,848)	-166%
Finance costs	<u>(22,731)</u>	<u>(17,106)</u>	-33%
Loss before tax	(110,805)	(45,536)	-143%
Income tax (expense)/credit	<u>(3,365)</u>	<u>7,894</u>	-143%
Total comprehensive loss	(114,170)	(37,642)	-203%
Basic and diluted loss per share (Kwacha)	<u>(1.81)</u>	<u>(0.60)</u>	-203%

STATEMENT OF FINANCIAL POSITION

	2020 K'000	2019 K'000
ASSETS		
Non-current assets		
Property, plant and equipment	236,173	243,106
Intangible assets	1,341	1,715
Deferred tax asset	-	3,344
	<u>237,514</u>	<u>248,165</u>
Current assets		
Inventories	19,654	18,006
Trade and other receivables	8,436	18,479
Current tax asset	10,331	10,352
Amounts due from related parties	642	642
Bank and cash balances	6,452	7,345
	<u>45,515</u>	<u>54,824</u>
Total assets	<u>283,029</u>	<u>302,989</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	630	630
Retained earnings	6,529	120,699
Total equity	<u>7,159</u>	<u>121,329</u>
Non-current liabilities		
Long term borrowings	35,479	25,000
	<u>35,479</u>	<u>25,000</u>
Current liabilities		
Bank overdraft	49,659	44,788
Short term borrowings	29,953	15,000
Trade and other payables	102,694	85,942
Amounts due to related parties	58,085	10,930
	<u>240,391</u>	<u>156,660</u>
Total liabilities	<u>275,870</u>	<u>181,660</u>
Total equity and liabilities	<u>283,029</u>	<u>302,989</u>

STATEMENT OF CASH FLOWS

Kwacha'000	Year ended 31 March 2020	15 months ended 31 March 2019
Cash flows from operating activities		
Loss before income tax	(110,805)	(45,536)
Adjustments for:		
Interest income	(61)	(313)
Interest expense	22,731	17,106
Depreciation expense	18,867	24,748
Amortisation - containers	1,143	1,343
Profit on sale of property, plant and equipment	(455)	(1,428)
Impairment loss recognised on trade receivables	400	1,995
Amortisation of intangible assets	474	288
Unrealised exchange losses	12,521	2,174
Net cashflow from operating activities before movement in working capital	(55,185)	377
Movement in working capital		
Decrease (increase) in trade and other receivables	9,643	(13,253)
Increase in inventories	(1,648)	(9,304)
Decrease in amounts due from a related party	-	17,013
Increase in amounts due to related parties	47,155	10,930
Increase in trade and other payables	16,752	23,341
Cash generated from operations	16,717	29,104
Interest received	61	313
Interest paid	(22,731)	(17,106)
Income tax paid	-	(5,664)
Net cash (used)/generated in operating activities	(5,953)	6,647
Cash flows from investing activities		
Purchase of property and equipment	(13,705)	(7,461)
Proceeds from sale of property and equipment	1,084	1,594
Purchase of intangible assets	(100)	(2,003)
Net cash flows used in investing activities	(12,722)	(7,870)
Cash flows from financing activities		
Borrowings received	79,600	-
Borrowings repaid	(54,168)	(60,000)
Net cash in/ (out) flows used in financing activities	25,432	(60,000)
Movement in cash and cash equivalents		
Decrease in cash and cash equivalents	6,757	(61,223)
Cash and cash equivalents at the beginning of the year/period	(37,443)	25,954
Effect of foreign exchange rate changes	(12,521)	(2,174)
Cash and cash equivalents at end of the year/period	(43,207)	(37,443)

STATEMENT OF CHANGES IN EQUITY

Kwacha'000

	Share capital	Retained earnings	Total
Balance at 31 December 2017	630	158,341	158,971
Loss for the period	-	(37,642)	(37,642)
Balance at 31 March 2019	630	120,699	121,329
Total comprehensive loss for the year	-	(114,170)	(114,170)
At 31 March 2020	630	6,529	7,159

COMMENTARY FOR THE YEAR ENDED 31 MARCH 2020

Overview

The business faced significant headwinds during the financial year under review. High levels of inflation triggered widespread escalations in local costs while the softening exchange rate led to substantial increases in the prices of imported packaging materials and other inputs. Maize which is the key brewing raw material was in short supply during the year driving up the cost per ton by 92% on prior year.

These inflationary conditions eroded discretionary income and precipitated a significant reduction in volumes. The packaged traditional beer segment also came under immense pressure from keenly priced affordable clear beer offerings, increased presence of illicit spirits and the continued trade in bulk traditional beer in violation of legislation prohibiting the sale of beer in this format.

In the face of the foregoing cost pressures the company effected a modest increase in wholesale prices which resulted in depressed sales by 27% compared to the previous year. As volumes continued to decline price roll backs were implemented in the final quarter of the financial year and these resulted in a steady recovery of volumes. We expect this recovery to continue into the next financial year.

The business posted an operating loss of K70m against an operating loss of K22m for the fifteen months ended 31 March 2019. The company is committed to reverse the trend in the short to medium term.

The Board of Directors of National Breweries Plc (“**the Board**”) wishes to advise the Shareholders that for the financial year ending 31st March 2020, the basic loss per share of **K (1.81)** is 202% greater than **K (0.60)** of the prior reporting period.

Corporate governance

National Breweries Plc. remains committed to compliance with a strict corporate governance culture. Once again, we achieved nil significant breaches of corporate governance and antibribery codes during the year.

We also enhanced and relaunched our whistle blowing program under the moniker “Rewards Anonymous”. The enhancements were made to improve the confidence of potential whistle blowers in the scheme.

Prospects

We will continue driving towards volume growth through new product introductions and expansion of our geographic footprint to tap into new markets around the country. Simultaneously, managing the cost base of the business through overhead management, rightsizing and supply chain efficiencies will remain cardinal on our journey forward.

Zambia’s maize production is expected to be 70% more than the previous season owing to the good rains. Consequently, prices are expected to come down quite significantly compared to the previous season which will result in improved margins.

In the short term we are focused on finding ways to keep the business going forward in the face of the COVID-19 pandemic. To this end we have formulated a COVID Response Plan which is not only intended to ensure business continuity but also to enhance the safety of our staff at all our production facilities.

Dividends

For the year ended 31 March 2020, the directors do not recommend the payment of a dividend in view of the financial results recorded. The short-term focus for the business remains returning the business to profitability in the long-term.

Subsequent events

The Directors have reviewed events subsequent to the date of the statement of financial position, and they are not aware of any subsequent events that may require adjustments or disclosure in the financial statements.

By order of the Board

Vongai Chiwaridzo
Company Secretary

Issued in Lusaka, Zambia on 04 June 2020

Lusaka Securities Exchange Sponsoring Broker	
 STOCKBROKERS ZAMBIA LIMITED	<p>T +260-211-232456 E advisory@sbz.com.zm W www.sbz.com.zm</p> <p>Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia</p>

First Issued on 04 June 2020