WE ARE ZED

Better
Stronger
Faster

ZB

ZAMBIAN BREWERIES PLC ANNUAL REPORT 2019

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, 2019. 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.

10 Principles

Dream

1. Our shared Dream energizes everyone to work in the same direction: Bringing people together for a better world.

People

2. Our greatest strength is our people. Great people grow at the pace of their talent and are rewarded accordingly.

3. We recruit, develop, and retain people who can be better than ourselves. We will be judged by the quality of our teams.

Culture

4. We are never completely satisfied with our results, which are the fuel of our Company. Focus and zero-complacency guarantee lasting competitive advantage.

5. The consumer is the boss. We serve our consumers by offering brand experiences that play a meaningful role in their lives, and always in a responsible way.

6. We are a Company of owners. Owners take results personally.

7. We believe common sense and simplicity are usually better guidelines than unnecessary sophistication and complexity.

8. We manage our costs tightly, to free up resources that will support sustainable and profitable top-line growth.

9. Leadership by personal example is at the core of our culture. We do what we say.

10. We never take shortcuts. Integrity, hard work, quality, and responsibility are key to building our Company.

Contents

1 Financial Highlights

(In Kwacha thousands)	2016	Year Ended 31 March 2017*	Year Ended 31 December 2017*	2018	2018**	2019	Var
Company Revenue(incl. Excise Duty)	2,181,228	2,494,328	1,986,512	2,843,168	2,278,035	2,640,037	16%
Company Revenue(Excl. Excise Duty)	1,712,869	1,974,021	1,561,138	2,200,228	1,787,264	2,092,590	17%
Operating Profit	317,812	360,957	366,017	1,610,040	299,282	331,954	11%
Profit Before Income tax	278,181	185,806	320,029	1,618,942	317,711	356,882	12%
Profit for the year	194,150	128,168	220,820	1,456,136	216,599	274,414	27%
Total Assets	2,462,581	2,674,626	3,062,546	4,931,900	4,931,900	3,062,292	-38%
Current liabilities	795,774	1,054,306	1,126,438	3,540,971	3,540,971	1,386,930	-61%
Retained Earnings	1,112,129	1,208,034	1,428,854	309,633	309,633	584,047	89%

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

K2,640
million Company revenue (incl. excise duty)

K332
million Operating Profit

K274
million Profit for the year

K584
million Retained earnings

2 Business Overview

Chairperson’s Report

Dear Shareholders,

I am delighted to report on the annual results for Zambian Breweries Plc (‘‘Zambian Breweries’’ or the ‘‘Company’’) for the financial year 2019. It was a challenging year. However, despite operating in an increasingly tough environment marked by inflationary pressure, increased interest rates and exchange rate fluctuations among other things, overall performance of your Company remained strong. This excellent performance reflects the dedication and unquestionable commitment of a talented team of employees led by a strong and experienced management team, as well as support from the various stakeholders who believed in us. I thank them all for their valued contribution.

Strategic Review

In 2018, Zambian Breweries finalised the sale of its Coca-Cola bottling business to Coca-Cola Beverages Africa (CCBA), setting Zambian Breweries on course to focus on its clear beer business.

I am pleased to report that this strategy remained on track in 2019, and the robust production and sales growth in 2019 is testament to the merits of the decision to divest and focus on our core business.

Despite the absence of carbonated soft drink production in Lusaka, our clear beer volumes again reached record levels, and we sold 2.3 million hectolitres, up 9% compared with 2018. We paid K547 million in excise tax to the Government – 12% more than in 2018 – and finished the year under review with net producer revenue of K2 billion, which was slightly above budget and 17% higher than 2018. The increase in excise payments reiterates our stance that the Government’s policy of stabilising excise tax at manageable rates enables the sector to reinvest and grow production, enhancing profitability and thus growing the tax base further. Having depleted corporate tax credits brought forward from previous years' losses, coupled with the expiry of a number of Zambia Development Agency investment incentives, Zambian Breweries is now in a taxable position and paid K111 million in corporate income tax during 2019.

The increase in production also benefited Zambia's farmers, who supply the ingredients for our locally produced beers, including maize, barley, sorghum and cassava. The launch of Eagle Maize in the Northern region during 2019 has already shown potential to become a major volume driver in the affordable beer segment, although we are mindful that unpredictable rainfall patterns and resultant low harvests continue to put pressure on local inputs, particularly for our Eagle brand.

Finance

In November 2019 the Bank of Zambia raised the Monetary Policy Rate to 11.25%, the second increase during the year following a rise from 9.75% to 10.25% in May. Meanwhile, banks have revised their premiums upwards due to changes in fiscal and monetary market conditions. This has increased our borrowing costs for current facilities available and may affect the availability of funding in the future.

During the year under review, we made K581.2 million of capital investment, largely in production and equipment.

Smart Drinking and Community Relations

Our Smart Drinking programme continues to make progress.

Over 315 youth have been engaged directly through our Mentorship Programme, which includes workshops on responsible alcohol consumption and underage drinking.

Stakeholder engagement with internal marketing continues as a target and is set to increase responsible alcohol consumption and road safety messaging in brand campaigns.

Stakeholder engagement also continues with the Ministry of National Guidance and Religious Affairs as well as the Global Road Safety Partnership and the Road Transport and Safety Agency (RTSA).

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

Corporate Governance

I was pleased to welcome Mr. Jito Kayumba to the Board as Director and Chair of the Audit Committee. Zambian Breweries continues to comply with the highest levels of corporate governance. The Board, which comprises five Directors, held the required four meetings scheduled for each quarter. The Audit Committee met periodically to review financial performance, assess risk exposure and monitor procedural compliance.

Outlook

We will continue to focus on our core clear beer business, and on our market-driven strategy to grow the business further. The 2020 Budget is fair and encouraging, with a continuation of VAT, rather than the Sales Tax that had been mooted. The excise tax rate remained unchanged (40% on malt beer and 10% on cassava-based beer). We are mindful, however, of the economic challenges ahead, which are likely to require a redoubling of our efforts to grow the business.

In conclusion, I would like to extend my heartfelt gratitude to you, our esteemed shareholders, for the confidence and support rendered to the Company in the previous year, and I sincerely hope it will continue throughout the coming year.

Monica Musonda

Chairperson of the Board of Directors

Country Director's Report

We are ZED

Zambian Breweries is a home-grown Zambian success story, and we are proud to unleash our thunder and fly the flag for Zambia to higher heights, showing the world who we are.

We are delighted to promote "our truly Zambian spirit" as a key element of everything we do, from sourcing local ingredients from our small-scale farmers to promoting Zambian musical talent at events across the country. We promote tourism in Livingstone's world famous Mosi Oa Tunya (Victoria Falls) – after which our iconic Mosi Premium Lager is named – and we play a key role in making sure communities thrive and prosper through employment generation, support for entrepreneurs and our Manja Pamodzi clean-up campaign.

Zambian Breweries embodies the thunderous and optimistic spirit of our ZED nation by producing and promoting beer brands that consumers love and which make them feel connected to their heritage, proud of their country and positive about their future, while we keep promoting our shared global Dream of "bringing people together for a better world". **We are ZED!**

Financial Performance

Once again, I begin this annual communication to our shareholders with a sense of pride about our Company, our brands, our employees and the thunderous results we have achieved together so far. As I look back on the past three years - a period of profound change for our organisation since the AB InBev acquisition - it is remarkable how much we have accomplished, not only in terms of financial performance, but in anchoring ABI's ownership culture by never being completely satisfied with our results and building a successful, lean organisation, which is an example for many other businesses in our country.

This past year proved to be a challenging one for our Zambian economy, with an environment that turned out to be even tougher than expected. GDP growth forecast for 2019 reduced to 2% due to a slowdown in farming, constrained electricity generation and lower than expected mining output. Inflation was at a three-year high as food costs surged amidst the worst drought in almost four decades, with fuel and energy price increases and Kwacha depreciation (50% in the past 18 months), aggravated by a high public debt ratio and negative credit rating.

I am pleased to report that we met our goals, despite these external challenges. Our financial results were in line with our guidance targets. Plus, of equal importance, our performance in a volatile environment validated our business model overall.

Our total beer volumes grew by 9% against prior year and in line with budget, with positive performance in the affordable segment (Eagle Lager). Despite the modest single-digit growth in volumes, the Company posted very strong top-line growth of 17% in Net Producer Revenues for our clear beer business in the year 2019.

Clear beer variable production costs and distribution costs were up by 8% and 24% respectively, due to the cost of greater volume, higher cost of foreign currency-dominated imported raw materials following the Kwacha devaluation and increased inter-depot transfers to balance volume demand. This resulted in a clear beer gross margin above the 40% mark, representing an improvement of 25% against prior year results.

Commercial Performance

In 2017 we set ourselves a dream of growing volumes to 3 million hectolitres by 2020. This was an ambitious target of doubling the size of our business in this period, and I am proud to say that we are on the right track towards reaching our goal.

We produced and sold a *super thunderous* figure of 2.3 million hectolitres in 2019, setting a new record for the Company, thanks largely to the single-minded focus of management and staff as we followed our "Better, Stronger, Faster" theme for the year. The growth was driven primarily by superb performance of Eagle, Mosi Premium, Castle Lite and Carling Black Label lagers, as well as impressive growth in sales of imported Budweiser and Stella Artois.

When we sold the Coca-Cola bottling business to Coca-Cola Beverages Africa (CCBA) in 2018 we said we wanted to focus exclusively on clear beer. That is exactly what we have done, staying focused and on track, despite a difficult year for Zambia's economy. We are on course and will continue to build volumes, driven by our "go deep, go rural" strategy of deep market penetration and further rural expansion.

On the marketing side, we are proud to comment that our Mosi Day of Thunder music festival in Livingstone continued to champion local musical talent and draw fans from around the region to Zambia's tourism capital. The theme was continued for Independence Day with the launch of Mosi's "We are ZED" campaign, celebrating local talent from all walks of life.

Mosi also received a Gold Quality Label at the recent Monde Selection International Quality Awards, a demonstration of our top quality control systems and a guarantee of quality for consumers, the honour being conferred by a panel of more than 80 global experts.

Investment

We celebrated 22 years of listing on the Lusaka Securities Exchange (LuSE) in 2019, recalling that from an initial market capitalisation of US$10 million in 1997 the Company has grown to over US$336 million, making it the largest Company regularly trading on the LuSE. The Company also joined the ranks of Africa's top 250 public companies by market capitalisation during the year.

Our investment in systems and processes resulted in us winning the Africa Quality Culture award as part of the Voyager Plant Optimisation (VPO) excellence programme introduced by the AB InBev Group across all its business operations to entrench best manufacturing practices.

The year also saw us invest further in our value chain with the extension of our cassava buying programme to Kasama. Through our cassava procurement scheme we provided a market for over 729 verified cassava farmers on the block chain platform from Luapula, Northern and Muchinga provinces of Zambia. In 2019 we bought a capped volume of 1,933 tonnes of cassava, creating farmer incomes of ZMW 2.554 million via mobile money direct transfer.

The BanQu block chain automated payment system used successfully in the cassava initiative was also introduced to the Manja Pamodzi recycling programme to financially empower collectors and ensure that they are paid efficiently.

Outlook

Zambia's economic outlook continues to present challenges for the coming year, with prolonged effects of load-shedding and inflation rates increasing becoming real concerns for all economic sectors. Our strategy of diversified market segmentation stands us in good stead to face the headwinds.

We are confident that where we may experience a downturn in some areas or consumer segments, particularly in the premium sector, this will be compensated for by growth in demand for our affordable beers as consumers switch to new price points and continue to appreciate the value of high quality, regulated products. Zambian Breweries remains driven to champion Zambian brands and play an integral role in supporting the nation in challenging times.

Finally, I would like to express my deep gratitude and appreciation for all Zambian Breweries' employees and partners - shareholders, suppliers, customers, among others - for their continued support. From this message, I hope shareholders and all readers gain an appreciation of the tremendous character and capabilities of our people and their thunderous spirit. I hope you are as proud of them as I am.

We are ZED!

Jose Moran Ramirez
Zambia Country Director

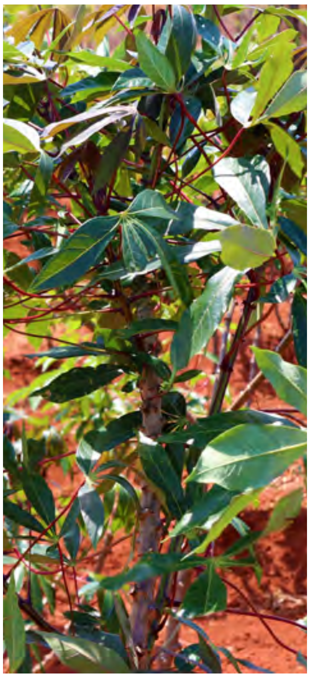
3 Sustainability Report

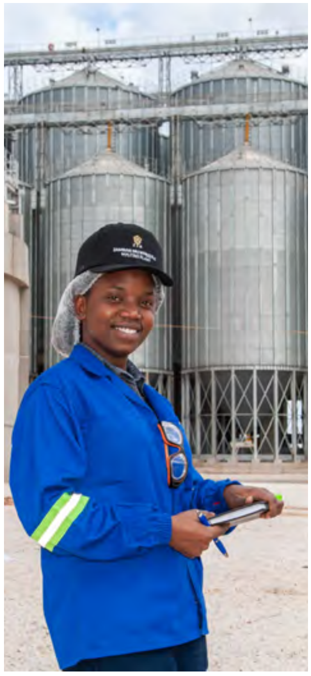
Our Dream is to Bring People Together for a Better World.

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

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

These goals encompass four pillars:





1 Smart Agriculture

2 Water Stewardship

3 Circular Packaging

4 Climate Action

1 SMART AGRICULTURE

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

To enhance local sourcing of raw materials we are providing a market and technology for farmers to trade, and are empowering small- to medium-scale as well as large-scale local farmers with farming input and yield support.

The Company's contribution to job creation, agro-processing and manufacturing through production of Mosi, Castle, Carling Black Label, Castle Lite and affordable Eagle lagers is key in supporting local enterprises through sourcing of barley, cassava, sorghum and maize.

Zambian Breweries, through its cassava procurement scheme, provides a market for over 729 verified cassava farmers on the block chain platform from Luapula, Northern and Muchinga provinces of Zambia. In 2019 we bought a capped volume of 1,933 tonnes of cassava, creating farmer incomes of ZMW 2.554 million via mobile money direct transfer.

To improve the quality of cassava being farmed by the local community and to reduce risks of diseases, Zambian Breweries has partnered with the Zambia Agriculture Research Institute (ZARI) to help develop new varieties of cassava to improve cassava yields.

The Company also purchased 19,332 tonnes of high quality malt barley grown on 2,750 hectares from farms as far North as Mkushi and Serenje down to Zimba.

The procurement of sorghum is an on-going development project with purchases of 1,400 tonnes in 2019 with a view to expansion as the Company distributed seed to the farmers in the Southern parts of Zambia.

2 WATER STEWARDSHIP

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

Zambian Breweries, together with its parent company AB InBev, has invested over US$1.5 million in a number of water stewardship programmes that include the Ndola Itawa Water Springs, Lusaka George compound water supply and the WWF Kafue Flats Joint Action Group (KFJAG). These joint water programmes include key public and private partners, such as the Lusaka Water Sewerage Company, WWF, GIZ, Government of the Republic of Zambia, Ndola City Council, Zambia Railways, and the National Heritage Conservation Commission.

Through the Lusaka Water Security Initiative (LuSWI), Zambian Breweries has partnered with both private and public institutions with the aim of improving the accessibility and quality of water.

3 CIRCULAR PACKAGING

Goal: 100% of our products will be in packaging that is returnable or made from majority recycled content. The responsibility for our product goes beyond the customer and we hope to increase recycling rates of materials through recovery and reuse and also to educate our consumers.

Zambian Breweries is one organisation taking the lead on minimising waste from products through its post-consumer packaging waste management initiative, Manja Pamodzi, in compliance with the recent legislation on extended producer liability.

The initiative has 809 participating collectors and 11 aggregator sites. Over 10,000 tonnes of recyclable material has been collected and over 25,000 community members directly sensitised on good waste management practices.

Mobile service provider MTN Zambia commemorated its annual staff 21 days of Y'ello Care by partnering with Manja Pamodzi to make an impactful contribution in the provision of ICT education in two Kanyama schools, where Zambian Breweries donated 10 computers, two printers and a projector.

4 CLIMATE ACTION

Goal: 100% of our purchased electricity will be from renewable sources and a 25% reduction in CO2 emissions across our value chain (science-based).

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

SMART DRINKING

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

Ethical sales and marketing are key elements in ensuring alcohol is enjoyed responsibly and the public are protected from alcohol abuse.

The Company's approach to production, advertising and selling of its beer is to safeguard the public by providing them with the "smart drinking choice".

The Zambian Breweries Mentorship Programme guides young people to make positive life choices. The company partnered with various influencers in music, sport and arts to work with youths in communities to positively impact young lives.

In addition, the Company worked on the rehabilitation and extension of the Bauleni community football field in Lusaka.

Support for the Road Transport and Safety Agency (RTSA) in Lusaka and Ndola is part of the 'Don't Drink and Drive' campaign.

4 Corporate Governance

Corporate Governance Statement

Reliance on technology and automation to entrench controls has been a major innovation in our governance and management assurance throughout this year: our source-to-pay system is now fully operational and ensures transparency in our procurement processes; our payroll and related services have now been systematised, together with credit and financial services to create efficiency and transparency across our business.

New policies have been introduced through an e-platform, such as Conflict of Interest and Data Privacy. Management has placed particular emphasis on our Anti-Harassment and Discrimination Policy. Our Compliance Channel and Anti-bribery policies are also automated and employees received refresher training.

We continue to monitor and track compliance with competition law through risk assessment and mitigation action plans. During the year our sales team benefited from refresher training on company law principles.

MISSION STATEMENT AND GOALS

The Company's Mission Statement and its goals (see the inside cover) ensure that our entire business is informed by our core values, which put our people and our communities at the heart of our ethical framework.

THE BOARD, AUDIT COMMITTEE AND INTERNAL CONTROLS

The Board of Directors

BOARD COMPOSITION

Name	Position
Monica Musonda	Chairperson - Independent Non-Executive
Jito Kayumba	Independent Non-Executive
Pedro Cruz	Non-Executive (resigned 05.02.20)
Jose Daniel Moran Ramirez	Executive
Mulwanda Sichula	Executive
Derrick Jansen van Vuuren	Non-Executive

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 non-executive members (including independent non-executives), 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 and Auditor remuneration is approved by the Board and the shareholders in the Annual General Meeting.

Non-Executive Directors' remuneration is disclosed in the Financial Statements.

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.

MANAGEMENT COMMITTEE COMPOSITION

MEMBERS	
Jose Daniel Moran Ramirez	Country Director
Mulwanda Sichula	Country Lead Finance
Franz Schepping	Brewing Operations Director
Sibajene Munkombwe	Head of Marketing
Lezanne van Zyl	Head of Sales and Operations Planning and Logistics
Ezekiel Sekele	Corporate Affairs Director
Sharon Lima	Country Lead People
Shula Kampamba	Head of Solutions
Siandele Matantilo	Head of Procurement

The Audit Committee

AUDIT COMMITTEE COMPOSITION

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

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

The Management Committee 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.

Board

MEMBERS	28th February 2019	13th May, 2019	24th July 2019	13th November 2019
Monica Musonda	(Appointed 28th March 2019)	✓	✓	✓
Jito Kayumba	(Appointed 24th July 2019)	-	✓	✓
Pedro Cruz	-	-	-	-
Jose Daniel Moran Ramirez	✓	✓	✓	✓
Mulwanda Sichula	✓	✓	✓	✓
Derrick Jansen van Vuuren	✓	-	✓	✓

Audit Committee

MEMBERS	28th February 2019	24th July 2019
Jito Kayumba	(Appointed 24th July 2019)	✓
Richard Rivett-Carnac	✓	✓
Derrick van Vuuren	✓	✓

INTERNAL CONTROLS

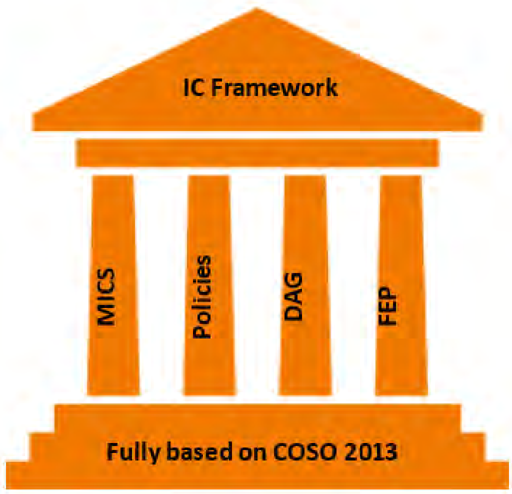
In compliance with recent guidelines issued by the Securities and Exchange Commission, we have benchmarked our internal controls against an international framework.

In compliance with the SEC requirements, Management of Zambian Breweries has assessed the Company's internal control over financial reporting as of 31 December 2019.

The Management of Zambian Breweries is responsible for establishing and maintaining adequate internal controls over financial reporting. To achieve this, it has adopted AB InBev's financial internal control framework. The AB InBev financial internal control framework is 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
2. Global Internal Control policies
3. Delegation of Authority Guide (DAG)
4. Finance Excellence Program (FEP)



RISK ASSESSMENT

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

POLICIES

Code of Ethics

The Code of Business Conduct and Ethics has been entrenched through e-training and cuts across all areas of our business.

We must always adhere to the highest standards of business integrity and ethics, as well as respect and comply with all applicable national and supra-national laws and regulations.

Global Whistleblower Policy

We believe that the true measure of success is not just the results we achieve, but how we achieve them. For this reason, there should be no gap between what we say and what we do. A crucially important element of this is the commitment to an open culture where people feel secure in seeking advice and raising concerns.

Human Rights Policy

The purpose of the Policy is to promote human rights through ensuring that we build a Company to last on a foundation of responsible business practices, policies and commitments.

We are committed to business practices that support and respect human rights and align with the UN Global Compact principles. Our Global Human Rights policy sets out standards, expectations and commitments in relation to our responsibility to respect and promote human rights within our own Company and to not, knowingly, contribute to the violations of human rights by other parties.

Anti-Harassment and Anti-Discrimination Policy

Our new anti-harassment and anti-discrimination policy aims to provide a workplace free from all forms of harassment, including unfair discrimination, sexual harassment and sexual misconduct. This Policy protects colleagues against inappropriate actions that are unwanted and unwelcome and which create an intimidating, offensive, or hostile work environment.

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.

This includes ensuring that the companies from which we purchase products and services are operating in an ethical and responsible manner. Our responsible sourcing policy communicates our expectations in these areas and how we are assessing our suppliers' performance through a variety of engagements.

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 norms.

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.

The Sales, Marketing, and Compliance Committee reviews sales and marketing activities (brand campaigns, promotions, new launches, print media or digital communication and outdoor advertising) prior to release into the market.

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 organisation.

Volunteering Policy

We take a keen interest in employees' participation in voluntary initiatives to build communities through our Ubuntu programme.

Zambian Breweries' employees believe leadership by personal example is at the core of its culture. Employees have been actively involved in various humanitarian activities such as support with donations to the Kanyama community orphanage and visits to the Matero aftercare project in Lusaka and the Arthur Davison Hospital in Ndola.

We dispatched much-needed aid to victims of Cyclone Idai in Mozambique in 2019, including bottled water, tinned food and medical supplies totalling over K195,000.

In partnership with the Christian Alliance for Children in Zambia (CACZ), an organisation that helps vulnerable children and their parents, we bought five sewing machines for the women's group.

ALIGNMENT TO THE NATIONAL ALCOHOL POLICY

The Policy focuses on education, treatment and rehabilitation of abusers of alcohol, and the role of statutory bodies and key players in implementing the legal framework. We continue to liaise with various stakeholders, including local councils, public health institutions, the Ministry of Health, the Zambia Revenue Authority and the Ministry of National Guidance and Religion, with the aim of collaborating to reduce the harmful effects of alcohol abuse. 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.

Upholding human rights (including protection from abuse, the right to undertake legitimate business and consume alcohol in accordance with the law), recognising the need for political will and leadership, a multi-sectoral, sustainable and public health-oriented approach, based on science and objective information is at the core of the policy. We believe that alcohol consumed in moderation creates social cohesion. Our Smart Drinking programme focuses on youth empowerment.

Reducing Harmful Use of Alcohol

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

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", emphasises the importance of the safety of our people in delivering consistent product to the satisfaction of the consumer.

What is VPO?

Voyager Plant Optimisation (VPO) is the AB InBev way to operate our facilities and its objective is to achieve the best results by creating a culture of continuous improvement and empowerment within the supply organisation. It demands the disciplined execution of daily routines, the most efficient business processes, and the tracking of key performance indicators across each site.

Lusaka brewery achieves intermediate status

There are five maturity levels of VPO. We are very pleased to announce that our Lusaka brewery attained VPO Intermediate Status during the course of 2019. This means our VPO processes are well entrenched and we need to sustain this level of performance to constantly improve our overall results.

Safety and Occupational Health

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

- Legal compliance audit – implementation of corrective actions is in progress
- Entrenched safe execution of confined space tasks – continuous atmospheric gas monitoring
- Improvement in working-at-height safety, such as the procurement of rescue equipment, training on scaffolding safety, equipment survey and implementation of quarterly inspections
- Improved execution of high risk tasks through specialised training
- Dust explosion – implementation of dust process safety management

Certification

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

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

ACCOLADES AND AWARDS

- The AB InBev Africa Quality Culture award - part of the Voyager Plant Optimisation (VPO) excellence programme introduced by the Group
- Mosi Premium lager received a Gold quality label at the recent Monde Selection International Quality Awards in Rome
- First Prize awarded by the Lusaka Water Security Initiative (LuWSI) - support for the Zambia Water Stewardship Awards

SHAREHOLDER COMMUNICATION AND WIDER STAKEHOLDERS

We have appointed a dedicated Transfer Secretary for the timely disposal of shareholder enquiries and a broker in accordance with the LuSE regulations, to ensure compliance and regular disclosure to the market. Our stakeholders extend from investors to our customers and consumers, Government bodies and agencies, regulators, civil society, suppliers, employees and the communities in which we operate. Our Corporate Affairs Department engages regularly with the Government, civil society organisations and representatives from communities in order to pursue our "Better World" strategy.

The Board of Directors

Monica Musonda

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

Jito Kayumba

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

Jose Daniel Moran Ramirez

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

Mulwanda Sichula

Mulwanda Sichula was appointed to the Board in November 2018 as Executive Director, upon taking up the position of Country Lead Finance. He has ten years' experience with the Company in the Finance and Commercial functions. He began his career in 2008 as an Accounts Assistant and has since held various roles in financial accounting, management accounting and commercial functions. He is a member of both the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA).

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 (August 2018 – October 2018) 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.

Pedro Cruz

Pedro Cruz joined the Board with over 20 years' experience. He was Managing Director of the AB InBev Mozambique subsidiary, and was appointed Business Unit President Southern Africa for AB InBev in October 2016. He joined SABMiller in 2007 as Commercial Director in Mozambique and previously worked with PepsiCo in Portugal, Spain and the UK in a number of senior Sales, Marketing and Finance roles between 1988 and 2006. He holds a degree in Business Administration and an MBA from the Catholic University of Lisbon in Portugal. Pedro resigned from the Board on 5th February, 2020.

Management Committee

Country Director

Jose Moran Ramirez joined the Company 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. Mr Ramirez worked for several years as the Sales Director for AB InBev operations in Mozambique, before his appointment as Country Director for Zambian Breweries Plc.

Technical Director

Franz Schepping was appointed Technical and Supply Chain Director for Zambian Breweries Plc in December 2011 and is responsible for the integrated end-to-end supply chain function. He is a brewer by trade and started his career with Namibia Breweries where he worked as First Brewmaster. Before joining SABMiller he was the Brewery Director at Carlsberg in Turkey where he was managing a 1.8 million hl brewery and its affiliated malting plant, with an annual capacity of 35,000 tonnes. He holds a Master's Degree from the Technical University in Munich in Brewing and Beverage Technology.

Country Lead People

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. Prior to joining Zambian Breweries Plc, she held the position of Group Human Resources Manager at Silverlands Zambia Limited since 2015, and was peviously Human Resources Manager at BDO Zambia from 2012-2015. She also has experience in the NGO sector with CHAMPS, where she had oversight and supervision of the HIV in the workplace activities in the private sector. She was formerly Diary Secretary to the HM Attorney General and Leader of the House of Lords. 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.

Head of Solutions

Shula Kampamba 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, moving from First National Bank, after working on various projects in diverse organisations, including Plan International, St Mary's Secondary School, the Zambia State Insurance Company, the National Pension Authority and the Electoral Commission of Zambia. He holds a BSc in Computing and an MSc in Information Systems from the University of Greenwich, UK (2013).

Corporate Affairs Director

Ezekiel Sekele was appointed Corporate Affairs Director in April 2015. He originally joined Zambian Breweries Plc in January 2004 and has over 15 years' experience. He is President of the Zambia Association of Manufacturers, Board member of the Zambia Chamber of Commerce and Industry, Chairperson of the Lusaka Water Security Initiative (LuWSi) and a member of the Research and Policy Committee at the Institute of Directors of Zambia. He is a Fellow of ZICA and ACCA, Associate member of the Chartered Governance Institute (ICSA UK), holds a post-graduate diploma in Corporate Governance, Masters of Commerce in Development Finance from the University of Cape Town, South Africa ,and a Global MBA from the Oxford Brookes University of the United Kingdom.

Head of Procurement

Siandele Matantilo was appointed to the Management Committee in April 2018. He is currently Head of Procurement at Zambian Breweries Plc. He began his career in 2009 as a Project Accountant at Konkola Copper Mines Plc, a subsidiary of Vedanta Resources Plc, and took on the position of Financial Controller Business Development and Investor Relations, before joining Zambian Breweries Plc as Assistant Financial Accountant in 2014. He was then promoted to the position of Regional Sourcing Specialist Raw Materials and Projects for the Southern Africa Region. He has over nine years' experience in the finance, supply chain and procurement functions. Siandele is a Chartered Accountant and is a Fellow of ZICA and an Associate Member of the ACCA.

Head of Sales and Operations Planning and Logistics

Lezanne van Zyl joined Zambian Breweries in 2017 following a 13 year career at Cargill Incorporated with extensive experience in commodity markets, grains and oilseeds supply chains as well as general management. With eight years' experience at senior management level, she now leads both the Sales and Operations Planning and Logistics functions. Lezanne holds a degree in BSc Agricultural Economics from the University of Pretoria.

Country Lead Finance

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

Head of Marketing

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. His previous positions include Senior Research Officer at the Zambia Development Agency, Project Coordinator for a UN High Commissioner for Refugees/Lutheran World Federation Refugee Programme, Assistant VAT Inspector at the Zambia Revenue Authority and Trainee Project Economist for the NORSAD Agency. He has a degree in Business Administration from the Copperbelt University, and qualifications in planning and monitoring from the University of Zambia, as well as in Foundations of Marketing and Marketing Research. He is a member of the Zambia Institute of Marketing.

Annual Report of the Directors of the Board

The Directors submit their Annual Report together with the audited Annual Financial Statements for the year ended 31 December 2019, which disclose the state of affairs and performance of Zambian Breweries Plc (the "Company").

Principal activities

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

Share capital and beneficial ownership information

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

The Company shareholding and beneficial ownership is represented as follows:

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

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

Significant events during the year

Having divested the soft drinks business in December, 2018, the Company continues to manufacture Coca-Coca products for Coca-Cola Beverages Zambia Limited under a Manufacturing Agreement at both its Lusaka and Ndola plants.

Results and dividend

The profit for the year of K0.3 million (2018: K1,456 million) has been added to retained earnings. At the board meeting held on 28 February 2020, the Directors recommended declaration of a dividend of K54.6 million (K0.10 per share).

Directors and remuneration

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

Name	Position	Appointment	Resignation
Monica Musonda	Chairperson	28 March 2019	
Jito Kayumba	Non- Executive Director	24 July 2019	
Jose Daniel Moran Ramirez	Executive Director		
Pedro Cruz	Non- Executive Director		5 February 2020
Derrick Jansen van Vuuren	Executive Director		
Mulwanda Sichula	Executive Director		

During the year, the total Directors' remuneration was K4.8 million (2018: K4.1 million), comprised of K4.2 million (2018: K3.6 million) for services rendered by Executive Directors, and K0.6 million (2018: K0.5 million) for services rendered by Non-Executive Directors.

Interests Register Information

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

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

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K116.5 million (2018: K194.2 million) and the average number of employees was as follows:

Month	Average Number	Month	Average Number
January	971	July	937
February	969	August	939
March	981	September	945
April	979	October	944
May	978	November	945
June	940	December	946

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 K1.5 million (2018: K0.5 million) to charitable organisations and events.

Research and development

The Company did not incur any costs on research and development during the year (2018: Nil).

Exports

The Company did not export any goods or services during the year (2018: Nil).

Property, plant and equipment

The Company purchased property, plant and equipment amounting to K575.7 million (2018: K295.3 million) during the year. In the opinion of the Directors the carrying value of property, plant and equipment is not less than their recoverable value.

Company auditor and remuneration

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

The Auditor remuneration for the year was K1.1 million (2018: K1.2 million). This related to audit services rendered to the Company.

Signed on behalf of the Board of Directors:

Monica Musonda
Chairperson of the Board

3rd March 2020

Jose Daniel Moran Ramirez
Country Director

3rd March 2020

Statement of Directors’ Responsibilities

For the year ended 31 December 2019

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

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 the Annual Financial Statements, and for such internal controls as the Directors determine necessary to enable the preparation of the Annual Financial Statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the Annual Financial Statements set out on pages 28 to 64 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS as issued by the IASB and the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Sections 82 to 112 of Part VII of the Companies Act, 2017 of Zambia.

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

Signed on their behalf by:

Monica Musonda
Chairperson of the Board

3rd March 2020

Jose Daniel Moran Ramirez
Country Director

3rd March 2020

5 Independent Report of the Auditor 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 2019, 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 28 to 64 and comprise:

- the statement of financial position as at 31 December 2019;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the annual financial statements section of our report.

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

Independence

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment The annual impairment assessment of goodwill requires the application of assumptions and judgements in order to estimate the recoverable amount of the Cash Generating Units (CGUs) to which the goodwill recognised is attributed. The recoverable amounts of the CGU has been determined based on a value in use calculation. Key assumptions used in the calculation include; • estimating the cash flows that will be generated in the future; • estimating the long term growth rate; and • determining the discount rate to be used. We determined this to be an area of focus for the audit on account of the significance of the judgments applied by the directors in determining the recoverable amount of this Cash Generating Unit ("CGU"). See note 19 on pages 59 to 60 of the Annual Financial Statements.	In assessing the reasonableness of the assumptions applied by the directors, we performed the following procedures: • agreed the cash flow forecasts to the most recently approved budgets; • tested the appropriateness of assumptions applied and accuracy of data used in preparing the cash flow forecasts and company budget; • agreed the projected future cash inflows and outflows arising for capital expenditure investments to the approved schedule of commitments; • tested the long term growth rate against historical growth rate of the business and expected growth rate of the Zambian economy; • assessed the determined discount rate to ensure it was representative of the current market assessments for the time value of money and risks specific to the CGU; • 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.

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.

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

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

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

Report on other legal and regulatory requirements

The Companies Act, 2017 of Zambia

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

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

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

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

4th March 2020

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

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Notes	For the year ended 31 December 2019	2018
Revenue from contracts with customers	8	2,092,589	2,200,228
Cost of sales		(1,175,799)	(1,199,154)
Gross profit		916,790	1,001,074
Distribution costs		(140,264)	(141,764)
Administrative expenses		(403,055)	(336,631)
Impairment change on financial assets		(1,802)	453
Other (expense) / income	9	(39,715)	1,086,908
Operating profit		331,954	1,610,040
Finance income	12	55,036	19,828
Finance costs	12	(30,108)	(10,926)
Finance income - net		24,928	8,902
Profit for the year		356,882	1,618,942
Income tax expense	13	(82,468)	(162,806)
Profit for the year		274,414	1,456,136
Other comprehensive income		-	-
Total comprehensive income for the year		274,414	1,456,136
Profit attributable to equity holders of the Company:			
From continuing operations		274,414	339,688
From discontinued operations	7	-	1,116,448
		274,414	1,456,136
Profit attributable to:			
Owners of Zambian Breweries Plc		239,097	1,268,731
Non-controlling interests		35,317	187,405
		274,414	1,456,136
Earnings per share for profit from continuing operations attributable to the equity holders of the Company			
- Basic and diluted	14	0.50	0.63
Earnings per share for profit attributable to the equity holders of the Company			
- Basic and diluted	14	0.50	2.67

The notes on pages 32 to 64 are an integral part of these Annual Financial Statements.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of financial position

	Notes	As at 31 December 2019	2018
Capital and reserves attributable to the Company's equity holders			
Share capital	15	5,460	5,460
Share premium	15	450,207	450,207
Retained earnings		584,047	309,633
		1,039,714	765,300
Non-current liabilities			
Deferred tax liability	17	635,648	625,629
		635,648	625,629
Total equity and non-current liabilities		**1,675,362**	**1,390,929**
Non-current assets			
Property, plant and equipment	18	2,059,246	1,698,173
Intangible assets	19	24,601	21,677
		2,083,847	1,719,850
Current assets			
Inventories	20	486,667	554,343
Trade and other receivables	21	255,294	260,070
Current income tax	13	10,542	-
Cash and cash equivalents	22	225,942	2,397,637
		978,445	3,212,050
Current liabilities			
Borrowings	16	32,761	115
Trade and other payables	23	1,354,169	3,512,858
Current income tax	13	-	27,998
		1,386,930	3,540,971
Net current liabilities		(408,485)	(328,921)
Total assets less current liabilities		**1,675,362**	**1,390,929**

The notes on pages 32 to 64 are an integral part of these Annual Financial Statements. The Annual Financial Statements on pages 28 to 64 were approved for issue by the Board of Directors on 3 March 2020 and signed on its behalf by:

Monica Musonda
Chairperson of the Board

Jose Daniel Moran Ramirez
Country Director

As at 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of changes in equity

	Share capital	Share premium	Proposed dividends	Retained earnings	Total
Year ended 31 December 2018					
At start of year	5,460	450,207	110,410	862,777	1,428,854
Comprehensive income:					
Profit for the year	-	-	-	1,456,136	1,456,136
Total comprehensive income for the year	-	-	-	1,456,136	1,456,136
Transactions with owners					
Dividend paid	-	-	(110,410)	-	(110,410)
Special dividend paid	-	-	-	(2,009,280)	(2,009,280)
Total transactions with owners	-	-	(110,410)	(2,009,280)	(2,119,690)
At end of year	5,460	450,207	-	309,633	765,300
Year ended 31 December 2019					
At start of year	5,460	450,207	-	309,633	765,300
Comprehensive income:					
Profit for the year	-	-	-	274,414	274,414
Total comprehensive income for the year	-	-	-	274,414	274,414
At end of year	5,460	450,207	-	584,047	1,039,714

The notes on pages 32 to 64 are an integral part of these Annual Financial Statements.

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

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of cash flows

	Notes	Year ended 31 December 2019	2018
Cash flows from operating activities			
Cash generated from operations	25	474,492	1,100,157
Interest received		31,325	15,271
Interest paid		(30,108)	(10,406)
Income tax paid	13	(110,989)	(10,524)
Net cash inflow from operating activities		364,720	1,094,498
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(575,726)	(295,310)
Proceeds from of property, plant and equipment		514	1,654,030
Purchase of intangible assets	19	(5,447)	(5,143)
Net cash (outflow)/inflow from investing activities		(580,659)	1,353,577
Cash flows from financing activities			
Interest paid on borrowings		-	(547)
Repayment of borrowings	16	-	(241,918)
Dividends paid to shareholders		(2,009,283)	(110,410)
Net cash outflow from financing activities		(2,009,283)	(352,875)
Net (decrease)/increase in cash and cash equivalents		(2,225,222)	2,095,200
Movement in cash and cash equivalents:			
Cash and cash equivalents at beginning of year		2,397,522	309,594
(Decrease)/increase in cash and cash equivalents		(2,225,222)	2,095,200
Effects of exchange rate changes on cash and cash equivalents		20,881	(7,272)
Cash and cash equivalents at end of year	22	193,181	2,397,522

The notes on pages 32 to 64 are an integral part of these Annual Financial Statements.

Notes to the Annual Financial Statements

1. General information

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

Plot Number 6438 Mungwi Road
Heavy Industrial Area Lusaka

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

The Annual Financial Statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The Annual Financial Statements are presented in Zambian Kwacha ("K"), rounded to the nearest thousand. In accordance with the Companies Act, 2017 of Zambia, the Annual Financial Statements for the period ended 31 December 2019 have been approved for issue by the Directors. Neither the entity's owner nor others have the power to amend the Annual Financial Statements after issue.

The preparation of Annual Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Annual Financial Statements, are disclosed in Note 5.

Going concern

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 *Leases*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle; and
- Interpretation 23 Uncertainty over Income Tax Treatments

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules retrospectively but recognise the cumulative effect of initially applying the new standard on 1 January 2019. Refer to Note 2(b) of the annual financial statements for details on the impact of adopting IFRS 16 *Leases.* The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. Below is a summary of the standards which are applicable to reporting periods commencing on or after the given effective date.

Title	Key requirement	Effective date
IFRS 17 *Insurance Contracts*	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	1 January 2021
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

Title	Key requirement	Effective date
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting; • reinstating prudence as a component of neutrality; • defining a reporting entity, which may be a legal entity, or a portion of an entity; • revising the definitions of an asset and a liability; • removing the probability threshold for recognition and adding guidance on derecognition; • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2021

(b) IFRS 16 Leases – Impact on adoption

The Company has adopted IFRS 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. As at 1 January 2019, the Company's lease agreements and the resulting lease payments to be made under those agreements were insignificant. Therefore, the reclassifications and the adjustments arising from the new leasing rules were not recognised in the opening statement of financial position on 1 January 2019, as these were deemed immaterial to the annual financial statements on 1 January 2019.

The new accounting policies are disclosed in Note 2(w).

(c) Segment reporting

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

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

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation

i) Functional and presentation currency

Items included in the Annual Financial Statements of the Company 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 Zambian Kwacha (K) which is the Company’s functional currency.

ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within ‘finance income or finance cost’. All other foreign exchange gains and losses are presented in profit or loss within other operating income/ (expense).

(e) Revenue recognition

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

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

Sale of goods – wholesale

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

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

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

Sale of goods – retail

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

(f) Interest income

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

(g) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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 as current employee benefit obligations in the balance sheet.

Retirement benefit obligations

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

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

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

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

2. Summary of significant accounting policies (continued)

(h) 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, 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 countries where the company and its subsidiaries and associates 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. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 statement of financial position. 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally 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.

The income tax expense for the period comprises current and deferred income tax. Income 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 income tax is also recognised in other comprehensive income or directly in equity respectively.

(i) 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.

(j) 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.

2. Summary of significant accounting policies (continued)

(j) Property plant and equipment (continued)

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

Buildings	25 – 40 years
Plant and machinery	15 – 20 years
Containers and crates	3 – 5 years
Motor vehicles, furniture & fittings and computer equipment	5 – 10 years

The 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 progres 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 property, plant and equipment are determined by comparing the proceeds to their carrying amount and are included in profit or loss.

(k) Intangible assets

i) Goodwill

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(k) Intangible assets (continued)

ii) Computer software

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

(l) Inventories

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

(m) Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 3(b).

(n) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short- term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(o) Trade and other payables

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

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

2. Summary of significant accounting policies (continued)

(p) Provisions

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

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

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

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value are 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 pre- payment for liquidity services and amortised over the period of the facility to which it relates.

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 end of reporting period.

(r) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Financial instruments

Financial assets

Classification

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

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

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

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

2. Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

Financial assets (continued)

Recognition and derecognition

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

Measurement

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

Offsetting financial instruments

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

Impairment

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

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

Financial liabilities

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

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

(t) Impairment of non-financial assets

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

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

2. Summary of significant accounting policies (continued)

(u) Share capital and share premium

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

(v) Dividend distribution

Dividend distribution to the Company's shareholders is charged to liabilities in the Annual Financial Statements in the period in which the dividends are approved by the Company's shareholders.

(w) Leases

The Company leases rental property. Rental contracts are typically made for fixed periods of approximately 1 year to 3 years, but may have extension clauses applicable.

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

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

From 1 January 2019, leases, if material, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

Notes to the Annual Financial Statements

2. Summary of significant accounting policies (continued)

(w) Leases (continued)

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

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

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

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

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

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

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Until 31 December 2018, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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. The property, plant and equipment acquired under finance leases was depreciated over the asset’s useful life, or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies (continued)

(x) Comparatives

Under IAS 1, comparative information must be provided for all amounts reported in the Annual Financial Statements, except when a standard provides otherwise.

IAS 1 further states that comparative information should also be provided for narrative and descriptive information when it is relevant to an understanding of the current period's Annual Financial Statements.

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

(y) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held for sale the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

3. Financial risk management

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

An overview of the key aspects of risk management and use of financial instruments is provided below.

(a) Market risk

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

(i) Foreign exchange risk

The Company imports raw materials and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), South African Rand (ZAR) and Euro (EUR). Foreign exchange risk arises from future commercial transactions and cash and cash equivalents, and payables.

The Company's policy is to continuously monitor markets and purchase any foreign currency required at the spot rate.

To manage the risk, management purchases foreign currency at spot rates and hold cash balances in different currencies.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

3. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below sets out the Company's currency exposures from financial assets and liabilities held in currencies other than their functional currencies and resulting in exchange movements in profit or loss and statement of financial position.

	Exposure in			
	ZAR	USD	Euro	Total
	K'000	K'000	K'000	K'000
31 December 2019				
Financial assets/ (liabilities)				
Cash and cash equivalents	33,961	42,280	6,482	82,723
Other receivable	3,355	-	-	3,355
Trade and other payable	(554,096)	(46,497)	(35,831)	(636,424)
Net monetary assets/ (liabilities)	(516,780)	(4,217)	(29,349)	(550,346)
31 December 2018				
Financial assets/ (liabilities)				
Cash and cash equivalents	15,709	1,630,810	2,772	1,649,291
Trade and other payable	(50,068)	(45,515)	(11,672)	(107,255)
Net monetary assets/ (liabilities)	(34,359)	1,585,295	(8,900)	1,542,036

At 31 December 2019, if the currency had weakened/strengthened by 5% (2018: 2%) against the US Dollar (USD) with all other variables held constant, the effect on post-tax profit for the year and shareholder equity would have been K0.2 million (2018: K31.7 million) lower/higher, mainly as a result of USD trade payables and bank balances.

At 31 December 2019, if the currency had weakened/strengthened by 5% (2018: 7.5%) against the South African Rand (ZAR) with all other variables held constant, post-tax profit for the year and shareholder equity would have been K25.8 million (2018: K2.6 million) higher/ lower, mainly as a result of ZAR trade payables, other receivables and bank balances.

At 31 December 2019, if the currency had weakened/strengthened by 5% (2018: 3%) against the Euro (EUR) with all other variables held constant, the impact on post tax profit for the year and shareholder equity would have been K1.5 (2018: Immaterial) higher/ lower, mainly as a result of EUR trade payables and bank balances.

(ii) Cash flow and fair value Interest rate risk

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

As at 31 December 2019, with other variables unchanged, a 2% (2018: 3%) decrease/increase in the base interest rate would have resulted in an immaterial (2018: Immaterial) change in post-tax profit for the year and shareholder.

(iii) Price risk

The Company is not exposed to commodity price risk.

3. Financial risk management (continued)

(b) Credit risk

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

(i) Risk management

Credit risk is managed by the senior management under policies approved by the Board.

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

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

(ii) Security

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

(iii) Impairment

The Company has two types of financial assets that are subject to the expected credit loss model:
- trade receivables for sales of inventory
- 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.

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for the trade receivable. To measure the expected credit losses trade receivables are grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 4 years before 31 December 2019 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. The Company has identified the GDP, inflation and the exchange rate of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

3. Financial risk management (continued)

(b) Credit risk

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
31 December 2019						
Expected loss rate	0.197%	2.35%	43.43%	6.30%	47.85%	
Gross carrying amount	101,551	23,567	12,279	10,074	27,061	174,532
Loss allowance	200	554	5,333	635	12,950	19,672
31 December 2018						
Expected loss rate	1.90%	0.50%	39.80%	41.00%	81.36%	
Gross carrying amount	125,470	30,624	4,347	684	16,376	177,501
Loss allowance	2,384	153	1,730	280	13,323	17,870

The maximum exposure to credit risk at the reporting date is the carrying value trade and other receivables and cash and cash equivalents.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by exchange rate movements.

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual discounted cash flows. The cash flows presented are discounted on the premise that the effect discounting cash-flows over a period of a year or less is expected to be immaterial.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

3. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
At 31 December 2018:				
Borrowings	32,761	-	-	32,761
Trade and other payables (excluding statutory liabilities)	1,228,007	-	-	1,228,007
Total financial liabilities	1,260,768	-	-	1,260,768
At 31 December 2017:			-	
Borrowings	115	-	-	115
Trade and other payables (excluding statutory liabilities)	1,388,842	-	-	1,388,842
Total financial liabilities	1,388,957	-	-	1,388,957

Financing arrangements

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

	2019	2018
Floating rate		
- Bank overdraft facilities	82,239	138,885

(d) Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to 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, issue new capital or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by the total capital of the Company in Zambia. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

During the period, the Company's strategy was to maintain a gearing ratio of less than 50%. The Company's gearing ratios at 31 December were as follows:

	2019	2018
Total borrowings	32,761	115
Less: cash at bank and in hand	(225,942)	(2,397,637)
Net debt	(193,181)	(2,397,522)
Total equity	1,039,714	765,300
Total capital	846,533	(1,632,222)
Gearing ratio	3.9%	0.0%

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4. Financial instruments by category

At 31 December 2019

	Financial assets at amortised cost
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	212,341
Cash at bank and in hand	225,942
	438,283

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings	32,761
Trade and other payables (excluding statutory liabilities)	1,228,007
	1,260,768

At 31 December 2018

	Financial assets at amortised cost
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	257,235
Cash at bank and in hand	2,397,637
	2,654,872

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings	115
Trade and other payables (excluding statutory liabilities)	1,388,842
	1,388,957

5. Critical accounting estimates and judgments

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

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

Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined using the value in use model and the fair value less costs to sell model. The assumptions used in the calculations are set out in Note 19.

Income taxes

Significant judgment is required in determining the Company's income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Specifically, the Directors have applied judgment in determining an appropriate approach of applying the ZDA tax incentives in computing current and deferred income taxes for the year.

The Company records provisions for potential liabilities based on estimates of whether it is probable that additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made. The nature and amounts estimated for the current income tax and deferred income tax are set out in Notes 13 and 17.

6. 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.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

6. Segment reporting

The segment information provided to the Executive Committee for the reportable segment is as follows:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Alcoholic	Non - Alcoholic	Total	Alcoholic	Non-Alcoholic	Total
Revenue from external customers:						
Alcoholic beverages	2,092,589	-	2,092,589	1,787,264	-	1,787,264
Non-alcoholic beverages	-	-	-	-	412,964	412,964
Total revenue	2,092,589	-	2,092,589	1,787,264	412,964	2,200,228
Fixed and variable expenses	(1,734,401)	-	(1,734,401)	(1,313,661)	(346,873)	(1,660,535)
Profit on sale on non-alcoholic business	-	-	-	-	1,076,255	1,076,255
EBITA	358,188	-	358,188	473,603	1,142,346	1,615,948
Interest income	31,325	-	31,325	12,905	2,366	15,271
Interest expense	(30,108)	-	(30,108)	(9,298)	(1,628)	(10,926)
Amortisation	(2,523)	-	(2,523)	(877)	(474)	(1,351)
Income tax expense	(82,468)	-	(82,468)	(136,645)	(26,161)	(162,806)
Profit after income tax	274,414	-	274,414	339,688	1,116,449	1,456,136
Total assets	3,062,292	-	3,062,292	4,931,900	-	4,931,900
Total liabilities	2,022,578	-	2,022,578	4,166,600	-	4,166,600

The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that in the statement of profit or loss and other comprehensive income.

The amounts provided to the Executive Committee with respect to total assets and liabilities are measured in a manner consistent with that of the Annual Financial Statements. All non-current assets are located in Zambia.

The result of its revenue from external customers in Zambia is K2,093 million (2018: K 2,200 million). There was no revenue from external customers from other countries (2018: Nil).

The Company primarily sells to distributors, wholesalers and large retail outlets. During the year, the Company did not have any customers (2018: 2 customers) who contributed 10% or more of the Company's total revenue. During 2018, the amount of revenue contributed by the two customers whose contribution was in excess of 10%, was K760 million in total.

As disclosed in Note 7, as at 31 December 2018, the Company had disposed of its non-alcoholic business segment. As a result, the Directors classified this segment as a discontinued operation.

From 2019, all of the Company's operations are considered a single segment.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

7. Discontinued operations

On 19 April 2017 and subsequently on 8 June 2017 and 23 August 2017, the Company announced publicly its intention to exit the non-alcoholic business. A deal had been reached, in principle, for The Coca Cola Company (TCCC) to acquire the non-alcoholic ready-to-drink business segment of the Company. The associated assets were consequently presented as held for sale as at 31 December 2017.

On 2 May 2018, Zambian Breweries Plc (the "Company"), a subsidiary of Anheuser-Busch Inbev SA/NV ("ABI") entered into a Master Purchase Agreement with Coca-Cola Holdings Africa Limited ("CCHAL"), a subsidiary of TCCC. The Company agreed to dispose of its business of manufacturing, distributing, marketing and selling non-alcoholic business segment to CCHAL.

To facilitate the transaction, the Company's business was divided in accordance with the set restructuring plan and carve- out guidelines. To complete the carve-out transaction, the Company formed a new company, Kalundu Beverages Limited, which held the relevant assets which were to be disposed of as part of the sale transaction. The Company owned 100% of the outstanding shares of capital stock of Kalundu Beverages Limited.

On 14 December 2018 (transaction close date), Zambian Breweries Plc, completed the sale of its non-alcoholic business via sale of its 100% shareholding in Kalundu Beverages Limited to a related entity of TCCC for a consideration of K1,654 million. As at 31 December 2018, the non-alcoholic business segment of the Company has been disclosed as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

a) Financial performance of the discounted operation of the Non – alcoholic business segment

	Year ended 31 December 2018
Revenues	412,964
Other income	2,366
Expenses	(348,976)
Profit before income tax	66,354
Income tax expense	(26,161)
Profit after income tax of discounted operation	40,193
Profit from sale of non-alcoholic business segment	1,076,255
Profit from discontinued operation	1,116,448
Net cash inflow from operating activities	66,828
Net cash inflow from investing activities	1,654,030
Net increase in cash generated by the business segment	1,720,858

b) Details of the sale of the business segment

Consideration received	1,654,030
Property transfer tax	(82,702)
Carrying amount of net assets sold	(495,073)
Profit on sale of business segment	1,076,255

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

	2019	2018

8. Revenue from contracts with customers

	2019	2018
Sale of alcoholic beverages	2,092,589	1,787,264
Sale of non-alcoholic beverages	-	412,964
	2,092,589	2,200,228

The Company derives revenue from the transfer of goods at a point in time in the above product lines.

9. Other operating (expense) / income

	2019	2018
Other income	26,876	14,276
Net foreign exchange losses other than on borrowings and cash and cash equivalents	(65,191)	(3,623)
Loss on disposal of property, plant and equipment	(1,400)	-
Profit on disposal of assets of non-alcoholic business segment	-	1,076,255
	(39,715)	1,086,908

10. Expenses by nature

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

	2019	2018
Raw materials and consumables used	801,306	788,348
Employee benefits	116,533	194,223
Depreciation	212,611	171,849
Amortisation	2,523	1,351
Auditor's remuneration	1,086	1,226
Write off of property, plant and equipment	1,156	-
Transportation	100,055	89,511
Repairs and maintenance	46,929	61,391
Marketing	37,521	44,893
Management fees	87,189	47,053
Consulting services	45,367	37,746
Royalties	117,426	101,506
Other expenses	149,416	138,452
Total cost of sales, distribution and administrative costs	1,719,118	1,677,549

11. Employee benefits expense

The following are included within the employee benefits expense:

	2019	2018
Salaries and wages	104,368	165,137
Voluntary separation costs	-	10,019
Defined contribution schemes – NAPSA and Saturnia	12,165	19,067
	116,533	194,223

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes to the Annual Financial Statements

12. Finance (expense) / income

	2019	2018
Finance income:		
Interest income	31,325	15,271
Net foreign exchange gains on cash and cash equivalents	23,711	4,557
	55,036	19,828
Finance costs:		
Interest expense	(30,108)	(10,926)
	(30,108)	(10,926)
	24,928	8,902

13. Income tax

	2019	2018
Current income tax expense	72,449	44,431
Deferred income tax charge	24,704	118,375
Prior year overprovision on deferred tax	(14,685)	-
	82,468	162,806

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

	2019	2018
Profit / (loss) for the year	356,882	1,618,942
Tax calculated at the statutory income tax rate of 35% (2018: 35%)	124,909	566,630
Tax effect of:		
Income subject to a lower tax rate	(42,930)	(16,436)
Expenses not deductible for tax purposes	(52,747)	35,914
Provision held against ZDA incentive benefit	67,921	21,319
Prior year overprovision on deferred tax	(14,685)	-
Effect of sale of non-alcoholic business segment	-	(444,621)
Income tax expense	82,468	162,806

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

13. Income tax (continued)

Current income tax movement in the statement of financial position

	2019	2018
At start of year	27,998	(5,909)
Current income tax charge	72,449	44,431
Payments during the year	(110,989)	(10,524)
At end of year - (asset) / liability	(10,542)	27,998

Tax losses

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

Accounting date	Tax loss	Utilised in year	Expired in year	Cumulative	Expiry date
31 March 2013	11,950	-	-	11,950	31 March 2020
31 March 2014	48,092	-	-	60,042	31 March 2020
31 March 2015	119,995	-	-	180,037	31 March 2020
31 March 2016	122,790	-	-	302,827	31 March 2021
31 March 2017	32,032	-	-	334,859	31 March 2022
31 December 2017	-	(111,012)	-	223,847	31 December 2022
31 December 2018	-	(223,847)	-	-	31 December 2023

14. Earnings per share

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

	2019	2018
Profit attributable to equity holders of the Company		
- From continuing operations	274,414	339,688
- From discontinued operations	-	1,116,448
	274,414	1,456,136
Weighted average number of ordinary shares in issue (millions)	546	546
Basic and diluted earnings per share attributable to equity holders of the Company (in Kwacha)		
- From continuing operations	0.50	0.63
- From discontinued operations	-	2.04
Basic and diluted earnings per share (in Kwacha)	0.50	2.67

There were no potentially dilutive shares outstanding at 31 December 2018 or 31 December 2017. Diluted earnings per share are therefore the same as basic earnings per share.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes to the Annual Financial Statements

	2019	2018

15. Share capital

	Number of shares (millions)	Ordinary shares	Share premium
Balance as at 1 January 2018, 31 December 2018 and 31 December 2019	546	5,460	450,207

The authorised share capital of the Company remained unchanged at 600,000,000 ordinary shares of K0.01 each (2018: K0.01 each), of which 546,000,000 are issued and fully paid.

16. Borrowings

	2019	2018
Current		
Bank overdrafts	32,761	115

Net debt reconciliation

	2019	2018
At start of the year	-	241,918
Repayments	-	(241,918)
At end of the year	-	-

The overdraft facilities are held with four different banks namely, Stanbic Bank Zambia Limited, Citi Bank Zambia Limited, Zanaco Bank Plc and Standard Chartered Bank (Z) Limited. At 31 December 2019, the Company had utilised the facilities with Stanbic Bank Zambia Limited and Standard Chartered Bank (Z) Limited.

The bank overdraft facilities from various banks are all unsecured. Interest on the bank overdrafts are payable at the prevailing Bank of Zambia (BoZ) Monetary Policy Rate plus a liquidity premium and a margin ranging from 1.00% to 6.5%. The bank overdrafts expiring within a year are annual facilities subject to renewal at various dates during 2019. The interest rate during the period averaged 19.49% (2018: 15.75%). Due to the short-term nature of the borrowings, the contractual rate approximates the effective interest rate.

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

17. Deferred income tax

	2019	2018
At start of the year / period	625,629	507,254
Charge for the year / period	24,704	118,375
Prior year overprovision	(14,685)	-
At end of period	635,648	625,629

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

17. Deferred income tax (continue)

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

	At start of year	Charge/ (credit) to P/L	At end of year
Year ended 31 December 2019			
Deferred income tax liabilities			
Property, plant and equipment	396,518	(51,462)	345,056
	396,518	(51,462)	345,056
Deferred income tax assets:			
Other deductible temporary differences	(10,505)	(6,440)	(16,945)
	(10,505)	(6,440)	(16,945)
Net deferred tax liability	386,013	(57,902)	328,111
Provision against ZDA incentive benefit	239,616	67,921	307,537
Deferred income tax liability recognised	625,629	10,019	635,648
Year ended 31 December 2018			
Deferred income tax liabilities			
Property, plant and equipment	357,287	39,231	396,518
	357,287	39,231	396,518
Deferred income tax assets:			
Other deductible temporary differences	(11,840)	1,335	(10,505)
Tax losses carried forward	(56,490)	56,490	-
	(68,330)	57,825	(10,505)
Net deferred tax liability	288,957	97,056	386,013
Provision against ZDA incentive benefit	218,297	21,319	239,616
Deferred income tax liability recognised	507,254	118,375	625,629

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

18. Property, plant and equipment

	Buildings	Motor vehicles	Plant and containers	Capital work in progress	Total
At 1 January 2018					
Cost	457,862	112,701	2,067,407	304,201	2,942,171
Accumulated depreciation	(41,430)	(91,428)	(826,542)	-	(959,400)
Net book value	416,432	21,273	1,240,865	304,201	1,982,771
Year ended 31 December 2018					
Opening net book value	416,432	21,273	1,240,865	304,201	1,982,771
Additions	-	-	95,237	200,073	295,310
Disposals	(190,871)	(491)	(219,874)	-	(411,236)
CWIP transfers	70,761	16,317	155,779	(242,857)	-
Depreciation charge	(12,372)	(9,301)	(150,176)	-	(171,849)
Adjustments	1	(5,030)	10,052	(1,846)	3,177
Closing net book value	283,951	22,768	1,131,883	259,571	1,698,173
At 31 December 2018					
Cost	305,848	89,846	1,895,109	259,571	2,550,374
Accumulated depreciation	(21,897)	(67,078)	(763,226)	-	(852,201)
Net book amount	283,951	22,768	1,131,883	259,571	1,698,173
Year ended 31 December 2019					
Opening net book value	283,951	22,768	1,131,883	259,571	1,698,173
Additions	-	-	140,860	434,866	575,726
Disposals	-	-	(886)	-	(886)
Write off	-	-	(1,156)	-	(1,156)
Transfers	90,473	6,282	224,097	(320,852)	-
Depreciation charge	(11,050)	(9,091)	(192,470)	-	(212,611)
Closing net book value	363,374	19,959	1,302,328	373,585	2,059,246
At 31 December 2019					
Cost	396,321	96,128	2,255,442	373,585	3,121,476
Accumulated depreciation	(32,947)	(76,169)	(953,114)	-	(1,062,230)
Net book value	363,374	19,959	1,302,328	373,585	2,059,246

The register showing the details of buildings and land, as required by Section 193 of the Companies Act, 2017 is available during business hours at the registered office of the Company.

Major component under the Capital work in progress relates to the Ndola Plant that is currently under expansion.

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

19. Intangible assets

	Goodwill	Software licences	Total
At 1 January 2018			
Cost	71,987	10,846	82,833
Accumulated depreciation	-	(10,022)	(10,022)
Net book value	71,987	824	72,811
Year ended 31 December 2018			
Opening net book value	71,987	824	72,811
Additions	-	5,143	5,143
Disposals	(54,926)	-	(54,926)
Amortisation charge	-	(1,351)	(1,351)
Closing net book value	17,061	4,616	21,677
At 31 December 2018			
Cost	17,061	15,989	33,050
Accumulated amortisation	-	(11,373)	(11,373)
Net book amount	17,061	4,616	21,677
Year ended 31 December 2019			
Opening net book value	17,061	4,616	21,677
Additions	-	5,447	5,447
Amortisation charge	-	(2,523)	(2,523)
Closing net book value	17,061	7,540	24,601
At 31 December 2019			
Cost	17,061	21,436	38,497
Accumulated depreciation	-	(13,896)	(13,896)
Net book value	17,061	7,540	24,601

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

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

	2019	2018

19. Intangible assets (continued)

i) Goodwill

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to operating segment.

The Directors monitor the business on the basis of the operating segments and have thus allocated the goodwill on that basis. The allocation of the goodwill is as follows:

	2019	2018
Alcoholic beverages	17,061	17,061

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

Alcoholic business segment

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

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

	2019	2018
Growth rate	13.4%	13.4%
Discount rate	20.3%	21.1%

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

The recoverable amount exceeded the carrying value in the current period, hence no impairment losses were recognised in 2019 (2018: Nil).

As at 31 December 2019, with other variables unchanged, a 2% (2018: 2%) change in the discount rate factor would not have resulted in an impairment loss on the value of the goodwill (2018: No impairment loss).

ii) Computer software

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

20. Inventories

	2019	2018
Raw materials	198,925	200,488
Work in progress	67,358	40,141
Finished goods	94,512	9,699
General stores and consumables	125,872	304,015
	486,667	554,343

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to K801 million (2018: K788 million). At 31 December 2019, the provision made for obsolete inventory amounted to K38 million (2018: K28 million).

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

21. Trade and other receivables

	2019	2018
Trade receivables	174,532	177,501
Loss allowance	(19,672)	(17,870)
	154,860	159,631
Amounts due from related companies	3,355	-
Prepayments	5,723	2,835
Other receivables	91,356	97,604
	255,294	260,070

Movements on the loss allawance of trade receivables are as follows:

	2019	2018
At start of year	17,870	18,323
Change in loss allawance for the year	1,802	(453)
At end of year	19,672	17,870

The change in the loss allwance of trade receivables has been separately disclosed in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above, except for prepayments. The Company holds security in the form of bank guarantees and title deeds for some of the credit customers.

The carrying value of trade and other receivables approximates their fair value.

22. Cash and cash equivalents

	2019	2018
Cash at bank	225,903	2,397,175
Cash in hand	39	462
At end of year	225,942	2,397,637

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2019	2018
Cash at bank and in hand	225,942	2,397,637
Bank overdrafts	(32,761)	(115)
	193,181	2,397,522

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

23. Trade and other Payables

	2019	2018
Trade payables	154,984	427,904
Amounts due to related parties	862,746	761,695
Accrued expenses	86,386	75,236
Dividend payable	10,019	2,010,133
Other payables	240,044	237,890
	1,354,179	3,512,858

The carrying value of trade and other receivables approximates their fair value.

24. Dividends per share

At the Annual General Meeting held on 29 March 2018, the final dividend payment, in respect of the period ended 31 December 2017 of K0.20 per share, proposed by the Directors was approved. The total amount of dividends paid during the year amounted to K110 million.

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

At the next Annual General Meeting to be held on 26 March 2020, the Directors intend to propose the payment of a dividend of K0.1 per share amounting to K54.6 million in respect of the year ended 31 December 2019.

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

25. Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2019	2018
Profit before tax	356,882	1,618,942
Adjustments:		
Interest income (Note 11)	(31,325)	(15,271)
Interest expense (Note 11)	30,108	10,926
Depreciation (Note 17)	212,611	171,849
Amortisation of intangible asset (Note 18)	2,523	1,351
Profit on sale of property, plant and equipment (Note 7)	-	(1,076,255)
Loss on disposal of property, plant and equipment	1,400	-
Impairment change on financial assets	1,802	(453)
Impairment charge on property, plant and equipment	1,156	-
Foreign exchange differences	(23,711)	1,387
Changes in working capital:		
Inventories	67,676	(71,715)
Trade and other receivables	4,776	(66,379)
Trade and other payables	(149,406)	525,775
Cash generated from operations	474,492	1,100,157

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

26. Related party transactions

The Company is controlled by AB InBev Africa Holdings Limited incorporated in Netherlands and AB InBev Plc (incorporated in Belgium) which is also the ultimate parent. There are other companies that are related to Zambian Breweries Plc through common shareholdings or common directorships.

i) Purchase of goods and services

	2019	2018
Fellow subsidiaries:		
AB InBev Africa Holdings Limited	87,189	23,926
South African Breweries (Pty) Limited	234,094	203,863
Sabmark International- a division of SABMiller International BV (Royalties)	117,426	101,506
SABMiller Management BV (Management fees)	-	47,053
Kgalagadi Breweries Plc	912	411
Mubex	641,096	573,954
	1,080,717	950,713

ii) Sales of goods and services

	2019	2018
Fellow subsidiaries:		
AB InBev Africa Holdings Limited	3,355	-

iii) Interest expense

	2019	2018
Mubex	-	520

iv) Directors' remuneration

	2019	2018
Non-executive Directors fees	629	520
Salaries and short-term emoluments	3,312	2,606
Other emoluments	139	791
Retirement benefit cost	671	200
	4,751	4,117

v) Key management compensation

	2019	2018
Salaries and short-term emoluments	12,237	11,664
Other emoluments	7,607	2,839
Retirement benefits cost	466	514
	20,310	15,017

For the year ended 31 December 2019 (All amounts are stated in thousands of Kwacha unless otherwise stated)

26. Related party transactions (continued)

vi) Amounts due to related parties

	2019	2018
Fellow subsidiaries		
AB InBev Africa Holdings Limited	82,232	253
South African Breweries (Pty) Ltd	175,760	112,572
Sabmark International- a division of SABMiller International BV (Royalties)	214,151	123,325
Bevman Services AG (Management fees)	71,443	65,325
Tanzania Breweries Ltd	-	493
Mubex	158,311	209,904
Heinrich Syndicate Limited	160,857	249,823
	862,746	761,695

vii) Amounts due from related

	2019	2018
Fellow subsidiaries:		
AB InBev Africa Holdings Limited	3,355	-

27. Contingent liabilities

Zambian Breweries Plc had several pending legal proceedings at 31 December 2019. The Directors having obtained appropriate legal advice and are of the opinion that there will be no material losses arising from the pending legal proceedings. The value of potential claims against the Company is K60 million (2018: K 41 million).

28. Commitments

Capital and operating expenditure contracted for at the end of the reporting date but not recognised in the Annual Financial Statements is as follows:

i) Capital commitments

	2019	2018
Property, plant and equipment	55,208	90,590

ii) Operating commitments

	2019	2018
Raw material	80,943	224,117

29. Subsequent events

There were no subsequent events after the year ended 31 December 2019.

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2018 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	4.20	22,957,364
3.	SATURNIA REGNA PENSION TRUST FUND	2.74	14,966,938
4.	STANBIC BANK ZAMBIA NOMINEES LIMITED	2.32	12,655,055
5.	KCM PENSION TRUST SCHEME	0.76	4,138,898
6.	BARCLAYS BANK STAFF PENSION TRUST FUND	0.42	2,311,599
7.	ZAMBIA SUGAR PENSION TRUST-SCHEME	0.37	2,023,683
8.	STANBIC BANK PENSION TRUST FUND	0.24	1,293,267
9.	STANDARD CHARTERED BANK PENSION TRUST FUND	0.20	1,103,383
10.	ZANACO PLC DC PENSION SCHEME	0.17	902,557
	Total selected	98.55	538,085,094
	Not selected	1.45	7,914,906
	Issued shares	100.00	546,000,000

Distribution of shareholders

	Number of Shareholders	%	Number of Shares
Less than 500 Shares	215	16.72	36,387
501- 5,000	893	69.44	1,236,487
5,001- 10,000	75	5.83	530,051
10,001- 100,000	69	5.37	1,898,632
100,001- 1,000,000	17	1.32	6,426,286
Over 1,000,000	17	1.32	535,872,157
	1,286	100.00	546,000,000

Directorate and Corporate Information

DIRECTORS
Monica Musonda*
Jito Kayumba*
Jose Danial Moran*****
Pedro Cruz****
Derrick Jansen van Vuuren**
Mulwanda Sichula*

COMPANY SECRETARY
Deborah Bwalya***

REGISTERED OFFICE
Plot No 6438
Mungwi Road
Heavy Industrial Area
P O Box 35135
Lusaka

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

REGISTRARS
Corpserve Transfer Agents Limited
6 Mwaleshi Road
Olympia Park
Lusaka

LEGAL ADVISORS
Tembo Ngulube & Associates
Plot 34, Manda Hill Road
P.O. Box 37060
Lusaka

AUDITOR
PricewaterhouseCoopers
PwC Place
Stand No. 2374, Thabo Mbeki Road
P O Box 30942
Lusaka

* Zambian ** South African ***British ****Portuguese *****Spanish

ZB

Plot 6438 Mungwi Road Heavy Industrial Area,
P O Box 31293 Lusaka, Zambia T: +260 0962 249200
Designed and produced by Langmead & Baker Ltd
www.langmead.com
+260 979 060705