NATIONAL BREWERIES PLC

Annual Report 2020

Taste the Goodness of Lasting Friendships

This is the Annual Report of National Breweries Plc for the year ended 31st March 2020. It includes information that is required by the Securities and Exchange Commission (SEC). This information may be updated or documented with the SEC or later amended if necessary, although National 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 National Breweries Plc products, which constitute trademarks or trade names which National Breweries Plc owns or which others own and license to National Breweries Plc for use. In this report, the term 'Company' refers to National Breweries Plc, except as the context otherwise requires. National Breweries Plc's Financial Statements have been prepared in accordance with International Financial Reporting Standards (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. Unless otherwise indicated, all financial information contained in this document has been prepared in accordance with IFRS.

National Breweries Plc

National Breweries Plc is the leading producer of traditional African beer (TAB), namely Chibuku Shake Shake and Chibuku Super, pasteurized TAB with a longer shelf life, which gives it a distinct advantage with delivery to a wide geographic reach.

Contents

Financial Highlights

(In Kwacha 000)	*Year ended March 2015*	*Year ended March 2016*	*Year ended March 2017*	*Nine months ended December 2017*	*Fifteen months ended March 2019*	**Year ended March 2020**
Company turnover (Incl. excise duty)	431,154	491,978	377,257	242,034	367,536	**300,076**
Company revenue (Excl. excise duty)	397,799	456,983	355,273	214,927	327,528	**226,552**
Operating profit / (loss)	43,064	26,940	(28,672)	148	(21,895)	**(69,912)**
Profit / (loss) before income tax	43,708	53,797	(64,577)	(7,935)	(45,536)	**(110,805)**
Profit / (loss) for the year	27,684	38,196	(45,851)	1,038	(37,642)	**(114,170)**
Total assets	325,553	457,348	374,542	326,339	302,989	**283,029**
Current liabilities	174,022	277,498	250,917	72,601	156,660	**240,391**
Shareholder's funds	134,193	150,054	109,677	158,971	121,329	**7,159**

2 Business Review

Chairman's Report

The economic environment deteriorated during the financial year ended March 31, 2020. The major drivers were rising inflation and the continued weakening of the Kwacha exchange rate against the currencies of Zambia's major trading partners. As inflation soared to new heights, the economy witnessed widespread increases in prices of goods and services across the board in addition to consumers suffering severe erosion of disposable incomes in their hands. Prices of imported raw materials, packaging and other goods and services also increased significantly driven by the softening exchange rate.

The overall cost of doing business increased while volumes softened in response to modest price increases aimed at preventing further erosion of value. The inevitable decline in market share benefitted our competition who trade in bulk beer in contravention of the law. Their offerings do not attract packaging costs and are, therefore, perceived as cheaper and affordable.

The company embarked on a strategy to mitigate volume loss and stimulate business growth through pack development and product innovation. The new cost-effective 1.5L returnable bottle (popularly known as Scud) was introduced onto the market in the first quarter of the financial year. This reusable packaging enabled us to significantly reduce our packaging costs and pass on the benefits of better pricing to our consumers.

The new returnable bottle also gave us an opportunity to launch a new sorghum malt-based recipe which gave our consumers greater choice while giving us a differentiated offering in the traditional African beer category not seen before on the Zambian market.

Maize, our main input in the brewing process, was in short supply during the year because of a poor outturn in the 2018/2019 farming season. Market prices increased dramatically while the cost of packaging, most of which is imported, also significantly increased in response to the softening exchange rate. These negative factors exerted pressure on our margins and combined with declining volumes to record an operating loss in the business during the financial year under review.

Prospects

The deterioration in the country's macro-economic environment has continued into the new year and this has been further complicated by the emergence of the Covid-19 pandemic. The measures taken to contain the spread of the contagion have generally been harmful to the economy. This negative impact on the economy is expected to continue until the pandemic is brought under control. This means access to markets will remain restricted and in the absence of meaningful activity in the economy, discretionary incomes will remain low.

The price of maize is expected to come down following a good outturn and better harvests during the 2019/2020 agricultural season. This will positively impact on our margins. In addition to this, we have taken measures to mitigate the impact of the Covid-19 pandemic on the business and, these factors combined, give us confidence that we will achieve reasonable volume growth going forward.

In the medium to long term, we are committed to increasing our efforts to cooperate with the Government of the Republic of Zambia, various local authorities around the country and law enforcement agencies to stamp out the illegal trading in bulk beer from the market. These efforts will be applied alongside continued innovation to deliver affordable quality products to our consumers.

Corporate Governance

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

We also enhanced and relaunched our whistle blowing program under the moniker "Rewards Anonymous". The enhancements were made to improve the confidence of potential whistle blowers in the scheme. We have the utmost confidence in Deloitte and Touche, the managers of the scheme, to deliver on the promise of confidentiality and protection for all those who report any theft, fraud or corruption in the business.

Directorate

On behalf of management and the board, I wish to welcome our new managing director, Mr. Martin Makomva. He joined on the 16th of January 2020 replacing Mr. Ronny Palale who resigned to pursue other interests. On behalf of the board I would like to thank Mr. Palale for his contribution to the company and wish him all the best in his new endeavours.

Appreciation

The board wishes to thank management and all employees of the company for working together in harmony under difficult circumstances. The board remains supportive of all efforts aimed at improving company performance going forward.

R. Mazombwe
CHAIRMAN

The new 1.5L returnable bottle popularly known as "The Scud"

The company embarked on a strategy to mitigate volume loss and stimulate business growth through pack development and product innovation. The new cost-effective 1.5L returnable bottle (popularly known as Scud) was introduced onto the market in the first quarter of the financial year. This reusable packaging enabled us to significantly reduce our packaging costs and pass on the benefits of better pricing to our consumers.

Managing Director's Report

The business faced significant headwinds during the financial year under review. High levels of inflation triggered widespread escalations in local costs while the softening exchange rate was responsible for substantial increases in the prices of imported packaging materials and other inputs. Maize was in short supply during the year and, when available, its cost was prohibitive.

The business faced significant headwinds during the financial year under review. High levels of inflation triggered widespread escalations in local costs while the softening exchange rate was responsible for substantial increases in the prices of imported packaging materials and other inputs. Maize was in short supply during the year and, when available, its cost was prohibitive.

These inflationary conditions eroded discretionary incomes and precipitated a significant reduction in volumes. The packaged traditional beer segment also came under immense pressure from aggressively priced affordable clear beer offerings, increased presence of cheap spirits and the illegal trade in bulk traditional beer.

The company effected a modest increase in product prices in response to a 92% increase in the price of maize. This unfortunately resulted in a 27% decline in volumes compared to the previous year as our products were now perceived as expensive and unaffordable especially relative to some competitor offerings. Aggressive pricing from the affordable clear beer segment also encouraged up-trading and combination drinking which all worked to hurt our volumes.

As volumes continued to decline price roll backs were implemented in the final quarter of the financial year and these resulted in a steady recovery of volumes. We expect this recovery to carry into the next financial year. We also anticipate a stabilization of maize prices following a more productive farming season and this should aid margin recovery in the business.

The volume recovery will also be assisted by new product and pack innovations intended to offer a wider choice to our consumers. The 1.5 litre returnable pack has shown great potential in offering better pricing opportunities and product differentiation both of which have been well received by our market.

Our Lusaka and Kitwe breweries were equipped with packaging lines for the new returnable bottle during the year while the line in Ndola is expected to be installed in the next financial year ending 31st March 2021.

This innovation in our beer recipes also allowed us to launch a new variant of Chibuku Super called Chibuku Super Extra Malt in the final quarter of the year. Therefore, we now have four variants of Chibuku on the market namely Shake Shake 1L Carton, 1.5L Scud Returnable Bottle, Super 1.25L PET and Super Extra Malt 1.25L PET.

Measures were implemented across the business to tighten internal controls and reduce production losses. This was done through introduction of more rigorous processes, some innovations around usage of raw materials in the production process and the retraining and realignment of staff in the business. The result has been enhanced efficiencies and these have encouraged us to continue with the initiatives as we go forward.

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We also implemented a graduate trainee program to broaden the skills base within the business and build a pipeline of internal candidates with the potential to successfully run the business in the future. The graduate trainee program takes advantage of synergies within the greater Delta Corporation group to expose trainees to different aspects of the business through staff exchanges and secondment of required specialist skills from time to time. In this regard, several skilled managers were deployed into strategic positions around the business during the year to impart skills to the trainees and other local team staff, further enhancing their exposure, skills acquisition and company productivity.

Looking Ahead

We have embarked on an internal change management process that aims to straighten and align organization culture, upgrade skills base, gain a clear line of sight to our consumers, uplift the image of the industry and ultimately return the company to profitability. This internal change is the first step towards our drive to cement our leadership of the traditional beer industry in the country.

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

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

M. R. Makomva
MANAGING DIRECTOR

The recently launched 1.25L Chibuku Super Extra Malt offers a differentiated malt rich flavour to our consumers.


Chibuku
Taste the goodness
SHAKE-SHAKE
HOMEGROWN INGREDIENTS
QUALITY 5★STAR QUALITY
1 LITRE
OPEN
BRAND NEW PACK
SAME GREAT TASTE
Chibuku
SHAKE-SHAKE
Taste the goodness
Taste the goodness
18+
FOR PEOPLE OVER THE AGE OF 18 ONLY. PLEASE DRINK RESPONSIBLY.

3 Corporate Governance and Sustainable Development

Board of Directors

Richard Mazombwe

BAcc, FCCA

A Chartered Accountant with over 35 years experience in the accountancy and consulting professions gained across industries in Zambia, Malawi and Botswana. Since 2010 has focused on leadership development and corporate governance. He is a Non Executive Director in a number of companies. Richard was the Senior Partner of PricewaterhouseCoopers Zambia from 2003 to 2010. A Fellow of the Association of Chartered Certified Accountants, he graduated from the University of Zambia in 1981 with a Bachelor of Accountancy degree.

Pearson Gowero

BSc Econ (Hons); MBL

Pearson Gowero was appointed as Chief Executive Officer of Delta Corporation Limited in June 2012. He joined the Delta Group in 1997 as Marketing Director of the then Chibuku Breweries Division, becoming the unit's Managing Director in 2001. He has held various senior positions in the Group and became an executive director in 2003. Pearson spent 5 years on secondment to the SABMiller Group from 2006 to 2011 where he was the Country Managing Director of Zambian Breweries, National Breweries Plc (Zambia) and Chibuku Products Malawi Limited. Prior to joining Delta, he had worked for some prominent clothing retail chains. Mr. Gowero sits on the boards of SeedCo Zimbabwe Limited, SeedCo International Limited and of the Group's subsidiary and associate companies, notably Delta Beverages, National Breweries Plc (Zambia), African Distillers (Zimbabwe) and Nampak Zimbabwe.

Etherton Runyaradzo Mpisaunga

BSc (Hons) Animal Science - University of London

Etherton Mpisaunga was appointed as Operations Director – Beverages in 2010. He is currently focusing on the Sorghum Beer operations in both Zimbabwe and the region. He initially joined the Group in 1984 and left in 1992 to work for The Coca- Cola Central Africa Region. He rejoined the Group in 1995 and has held various senior management positions across the Delta Group whose interests include Sorghum Beer, Lager Beer, Sparkling Beverages and non-alcoholic maize beverages.

Ackim L. Chalwe

BAcc, FCCA

Ackim L Chalwe is currently the Managing Partner of ALC Business Consulting Limited, and the Transaction Advisor to ISSHIN Consulting Limited, a Japanese consulting firm specializing in Solar Energy projects. Ackim holds a Bachelor of Arts degree in Accountancy from the University of Zambia and is a Fellow of the Association of Chartered Certified Accountants (ACCA) and the Zambia Institute of Chartered Accountants (ZICA). Ackim has over 30 years' experience covering external auditing, internal audit and financial management. Ackim previously worked for Deloitte & Touché Zambia and later as senior manager for Deloitte & Touche Botswana. In between his Deloitte Botswana career, which is from 1995 to 1999, Ackim worked for the central bank of Botswana (Bank of Botswana) in the internal audit department. He later joined FNB Botswana, as Chief Financial Officer, and returned to Zambia in 2008 to set up FNB Zambia serving as Chief Financial Officer and member of the board till 2018.

Martin Rutendo Makomva

MBL (Unisa, Graduate School of Business); FCA (Z); B. Acc (Hons)

Martin was appointed Managing Director of National Breweries Plc Zambia on 1 January 2020. A fellow of the Institute of Chartered Accountants of Zimbabwe, he joined the Delta Group on 1 April 1987 through Chibuku Breweries and worked in several roles before becoming managing director on 1 May 1993. He served in that role for seven years before moving on to Mega Pak Zimbabwe as managing director on 1 April 2000. He joined Nampak Zimbabwe in the same role on 1 October 2014 when Mega Pak de-merged from Delta Corporation. He left Nampak Zimbabwe on 31 October 2016 to focus on livestock farming, property development and management consultancy, with a keen interest in strategic management. A keen livestock farmer and Brahman breeder, he sits on the Councils of the Brahman Breeders Society of Zimbabwe and the Zimbabwe Herd Book.

Vongai Chiwaridzo

BAcc (Hons); CA (Z)

Vongai Chiwaridzo was appointed Finance Director in April 2018. She initially joined the Delta Group as a Finance Manager in 1994 at the then Chibuku Breweries. She occupied various roles in finance and auditing in the group including Finance Director for National Breweries and Chibuku Breweries and head of the Group Internal audit function. She left the group in 2005 for the UK where she worked in the finance sector in various UK entities (Glaxo Smith Kline, Pearson Education and North Middlesex University Hospital). She returned to Zimbabwe in 2008 and held senior positions in TM Supermarkets and Fiscorp Limited, a subsidiary of the Reserve Bank of Zimbabwe. She rejoined Delta in April 2013 as Finance Executive. Vongai has more than 30 years' experience in Finance and Auditing and is a Chartered Accountant (Zimbabwe).

Faith Misozi Mukutu

FCCA

Faith was appointed to the National Breweries Plc Board on 23 July 2018 and is currently the Finance Director of Zambia Sugar plc. Ms Mukutu has over 15 years' experience in Finance and Audit functions having started her career at PricewaterhouseCoopers. She was appointed as Finance Director of Zambian Breweries Plc, National Breweries Plc and Heinrich's syndicate Ltd and took up seats on the three boards in November 2015. This was after she moved from Maluti Mountain Brewery a SABMiller Plc subsidiary in Lesotho where she served in the same capacity from 2011. She originally joined Zambian Breweries Plc in June 2005 as a Management Accountant and was promoted to the position of Finance Director for the Malawi Operation – Chibuku Products Ltd in 2008. She comes with rich industry knowledge and experience. Ms Mukutu is a Chartered Accountant and is a fellow of ACCA and a member of ZICA.

Natasha Chiumya

AHCZ; MBA

Together with her partner, Natasha established Zambia's first niche practice law firm, Folotiya & Chiumya, specializing exclusively in corporate and commercial matters. She has extensive experience in business climate reform having worked with bilateral and multilateral donors as well as the Government of Zambia, through the Ministry of Commerce Trade and Industry. Her legal experience as in-house counsel for PricewaterhouseCoopers covered a wide range of corporate and commercial matters. As a former deputy chairperson of the Lands Tribunal she, together with her colleagues, resolved land disputes from across the country thereby gaining her extensive insight into land issues in Zambia. Having built a significant property development practice within the law firm, she is the founder of Diaspora Connect Limited which is aimed at revolutionizing the way Zambians abroad buy property back home through the use of technology. With a perspective that goes beyond law, Natasha has the unique ability to understand the business, as well as legal challenges facing client organizations. Natasha holds an honours degree in law from the University of Warwick, UK and as a former Beit fellow, has a Master's in Business Administration (MBA) from the University of Cape Town, South Africa.

Management Committee

Martin Rutendo Makomva
MBL (Unisa, Graduate School of Business); FCA (Z); B. Acc (Hons)
Managing Director
Martin was appointed Managing Director of National Breweries Plc Zambia on 1 January 2020. A fellow of the Institute of Chartered Accountants of Zimbabwe, he joined the Delta Group on 1 April 1987 through Chibuku Breweries and worked in several roles before becoming managing director on 1 May 1993. He served in that role for seven years before moving on to Mega Pak Zimbabwe as managing director on 1 April 2000. He joined Nampak Zimbabwe in the same role on 1 October 2014 when Mega Pak de-merged from Delta Corporation. He left Nampak Zimbabwe on 31 October 2016 to focus on livestock farming, property development and management consultancy, with a keen interest in strategic management. A keen livestock farmer and Brahman breeder, he sits on the Councils of the Brahman Breeders Society of Zimbabwe and the Zimbabwe Herd Book.

Vongai Chiwaridzo
BAcc (Hons); CA (Z)
Finance Director/Company Secretary
Vongai Chiwaridzo was appointed Finance Director in April 2018. She initially joined the Delta Group as a Finance Manager in 1994 at the then Chibuku Breweries. She occupied various roles in finance and auditing in the group including Finance Director for National Breweries and Chibuku Breweries and head of the Group Internal audit function. She left the group in 2005 for the UK where she worked in the finance sector in various UK entities (Glaxo Smith Kline, Pearson Education and North Middlesex University Hospital). She returned to Zimbabwe in 2008 and held senior positions in TM Supermarkets and Fiscorp Limited, a subsidiary of the Reserve Bank of Zimbabwe. She rejoined Delta in April 2013 as Finance Executive. Vongai has more than 30 years' experience in Finance and Auditing and is a Chartered Accountant (Zimbabwe).

Joseph Chona
B.A. MZIM
Commercial Executive
Joseph is a sales and marketing professional with broad experience in FMCG and ICT sectors.
He began his career at Zamtel as Management Trainee in 1997 and later held positions of Marketing Manager in 2003 and Sales & Customer Care Manager in 2005. In 2010 he joined Eco Bank as Head of Brand and Communications after which he transitioned to Zambian Breweries PLC as Sales Manager for Beer in 2012. In 2014 he joined Lafarge Zambia Plc as National Sales Manager. In 2015 he Joined KickStart International as National Sales Manager and later held the position of Country Manager for Zambia up to 2017. His last position prior to joining National Breweries was as Head of Indirect Sales at Vodafone (z) Ltd. Joseph is a holder of a Bachelor of Arts in Public Administration. He is a member of Zambia Institute of Marketing.

Mungonyinga Mungonyinga
B.Eng. MEIZ
Engineering Executive
Mungonyinga Mungonyinga is an engineering professional with experience in asset management, manufacturing improvement and projects management. He was appointed Executive Engineering Manager in March 2018. He began his career with Konkola Copper Mines Plc (KCM) in 2007 managing Konkola Mine mechanical services. In 2013 he joined Lafarge Zambia Plc holding several management positions in maintenance execution and projects management at Ndola and Chilanga cement manufacturing plants. He holds a B.Eng. in Mechanical Engineering from University of Zambia and is a full member of the Engineering Institute of Zambia.

Boniface Katsumbe
B. TECH (App Sc) (UZ)
Brewery Manager, Kitwe
Boniface joined National Breweries in October 2019 from Delta Corporation in Zimbabwe. He began his industrial career in 1990 working in Fast Moving Consumer Goods (FMCG) manufacturing with Olivine Industries, a HJ Heinz affiliate in Harare Zimbabwe as a graduate trainee and rose to Factory Manager for Soaps, Oils & Fats. In 1997 he joined Delta Corporation in the then regional investment and project management division, Chibuku Regional Investments as Technical Services Manager and worked in Mozambique, Kenya and Zambia. Boniface left the organization briefly from 2001 to 2003. He rejoined in 2004 and since then held several positions in Soft Drinks, Lager and Sorghum Beer Manufacturing plants around Zimbabwe [Brewery Manager, Project Manager, Manufacturing Development Manager, Packaging Manager, Supply Chain Manager and Plant Manager]. Prior to his appointment, Boniface was heading the Delta Beverages' Coca Cola Manufacturing facility in Bulawayo Zimbabwe. He holds a B. Tech [App Sc] from the University of Zimbabwe.

Joseph Takayindisa
BSc .Gen.(Chem. & Bio. Sci.) - University of Zim, Dipl. Brew. (IBD - UK)
Brewery Manager, Lusaka
Joseph was appointed Brewery Manager for National Breweries' southern region in November 2019. He joined Delta Beverages, Zimbabwe in December 2009 working in the Quality Assurance department in the Lager Manufacturing Business unit. He then moved to the Maheu business unit where he initially took up a senior quality management role before eventually assuming the role of leading manufacturing development for the business unit. In December 2012 he moved over to the Chibuku Business unit where he assumed the role of Production Manager at the pilot plant for Chibuku Super manufacturing in Zimbabwe. He then rose through the ranks first being appointed as Plant Manager until he was eventually appointed as a Brewery Manager in April 2017. Joseph is a holder of a BSc Degree majoring in Chemistry & Biological Sciences from the University of Zimbabwe. He is also a member of the Institute of Brewing & Distilling (UK).

Huxwell Manwachi
BSc; MBA
Brewery Manager, Ndola
Huxwell was appointed Brewery Manager in May 2018. He began his career with Lafarge Cement as a Works Chemist in 2005 gaining experience in Production, Process engineering, Quality and Operations while working in various Lafarge plants in Zambia, South Africa, Tanzania and Kenya. He left Lafarge to join Zambezi Portland Cement as Process and Quality Manager in 2009 before rejoining Lafarge Cement as Production Superintendent in 2012. He joined SABMiller as Plant Manager for Heinrich's Beverages in 2016. He holds a Bachelor of Science Degree in Biochemistry from the University of Zambia and a Master of Business Administration (MBA) from the Copperbelt University.

Ellah Mwase
B.A. MZIHRM
Human Resource Specialist
Ellah is a Human Resources Professional with experience in Financial Services, Insurance, Construction and FMCG industry. She holds a Bachelor of Arts Degree in Public Administration from the University of Zambia and is a member of Zambia Institute of Human Resource Management. She began her career at Focus Group of Companies in 2013 as Human Resources Assistant and rose to the position of Group Human Resources Specialist in 2015. She later moved to Brick World Construction Company in 2018 where she managed the Human Resources Department for eight months before joining National Breweries PLC in March 2019.

Corporate Governance Statement

National Breweries Plc subscribes to the highest ideals of good corporate governance and is committed to applying best practices and processes in the direction and control of the business. This commitment ensures that the interests of the various stakeholders, among them, shareholders, management, employees, customers, suppliers, financiers, government and communities are equitably balanced.

To achieve this objective, the Company's Board and Management continued to embed performance management across the business. The Human Resources function ensured that key performance indicators were measured for employee productivity, growth and on the job development. Operational performance indicators were maintained in Sales, Distribution and Manufacturing functions whilst the Finance function tracked and reported the financial indicators on profitability and working capital management. These indicators provide important feedback to management that is then used for decision-making, risk control and management. We summarise the Company's Corporate Governance framework as follows:

Board Composition and Independence

The Board is comprised of eight directors as follows:

- *Four non-executive directors who are independent of the Company*
- *Two non-executive directors who represent the parent company*
- *Two executive directors who are the Managing Director and Finance Director*

Operations of the Board

The Board of Directors sat four (4) times and in addition held the Annual General Meeting to review strategic priorities and the control environment and was assisted by the Audit Committee. Both the Board and the Committee comprise non-executive members (including independent non-executives), with a broad balance of skills, knowledge of the business and the environment.

The Chairman of the Board is an independent Non-executive Director who provides leadership and ensures the effectiveness of the Board. The 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 their remuneration is approved by the Board and the shareholders at the Annual General Meeting.

Board Composition

Directors	
Richard Mazombwe (Mr.) - Chairman	*Independent Non-Executive*
Ackim Chalwe (Mr.)	*Independent Non-Executive*
Faith Mukutu (Ms.)	*Independent Non-Executive*
Natasha Chiumya (Ms.)	*Independent Non-Executive*
Ronny Palale (Mr.) *	*Executive*
Martin Makomva (Mr.) **	*Executive*
Vongai Chiwaridzo (Mrs.)	*Executive*
Pearson Gowero (Mr.)	*Non-Executive*
Etherton Mpisaunga (Mr.)	*Non-Executive*

** Resigned on 15th January 2020*
*** Appointed on 16th January 2020*

Board Attendance

The following meetings were held during the period under review:

Dates of Board Meetings and Attendance

Member	28th June 2019	19th July 2019	25th Oct 2019	24th Jan 2020	23rd Apr 2020
Richard Mazombwe (Mr.)	√	√	√	√	√
Ackim Chalwe (Mr.)	√	√	√	√	√
Faith Mukutu (Ms.)	√	X	√	√	√
Natasha Chiumya (Ms.)	√	√	√	√	√
Ronny Palale (Mr.)	√	√	√	X	X
Martin Makomva (Mr.)	X	X	X	√	√
Vongai Chiwaridzo (Mrs.)	√	√	√	√	√
Pearson Gowero (Mr.)	√	X	X	√	√
Etherton Mpisaunga (Mr.)	√	√	√	√	√

X – Not in attendance

The Audit Committee

The Audit Committee is composed of four members i.e. three non-executive directors and the Managing Director.

The Audit Committee reviews and deliberates comprehensive reports from the Internal Audit function and the Statutory Auditor and makes recommendations to the Board.

The terms of reference for the audit committee remained as follows:

- *Reviewing of annual, quarterly, midyear financial statements, and interim and preliminary announcements before they are submitted to the Board*
- *Examination and review of the internal control environment and the company's statement on internal control*
- *Review of the effectiveness of the internal audit function throughout the year*
- *Review the effectiveness of the system for monitoring compliance with laws and regulations*
- *Recommend to the Board the appointment of the external auditors*
- *Discuss and agree the audit plan with the auditors a at each meeting.*

Meetings and attendance

The Audit Committee met twice during the year.

Audit committee composition

Member	14th Oct 2019	22nd April 2020
Ackim Chalwe (Mr.)	√	√
Faith Mukutu (Ms.)	√	√
Ronny Palale (Mr.)	√	X
Martin Makomva (Mr.)	X	√
Etherton Mpisaunga (Mr.)	√	X

Risk Management

The focus of risk management in National Breweries Plc is on identifying, assessing, managing and monitoring all known forms of risk across the Company. The management of risk and loss control is decentralised and is in compliance with the Company policies on risk. An appropriate risk analysis framework is used to identify the major risks which the Company must manage in serving its stakeholders. A Risk Analysis is performed regularly and is reviewed by the Audit Committee.

Internal Audit

Internal Audit services are still outsourced from the parent company, Delta. The Internal Audit function conducts regular audits in accordance with an audit plan approved by the Audit Committee and reports its findings to the Executive Committee and to the Board through the Audit Committee.

General Purpose Committee

The Board has established a General-Purpose Committee (GPC) comprising one executive and four non-executive directors. The General-Purpose Committee met once during the year.

Dates of Board Meetings and Attendance

General Purpose Committee Composition

Member	24th Jan 2020
Richard Mazombwe (Mr.)	√
Natasha Chiumya (Ms.)	√
Martin Makomva (Mr.)	√
Pearson Gowero (Mr.)	√
Etherton Mpisaunga (Mr.)	√

The terms of reference remained as follows;

- *To consider and agree all matters relating to the appointment, terms of service, remuneration, benefits including share options, bonus plans and incentive schemes of the Executive Directors and members of the Management Committee*
- *The Committee is constituted as the Nomination Committee for the purposes of considering any nominations for appointment of Directors.*
- *To consider proposals from management on matters that give rise to related party transactions such as management buyouts, empowerment deals etc*
- *Major changes to human resources policies, industrial relations, staff training and recruitment policies.*

Our Value Statement

01 ACCOUNTABILITY IS CLEAR AND PERSONAL

We favour decentralised management and a practical maximum of local autonomy. **Goals and objectives are aligned and clearly articulated.** We prize both intellectual rigour and passion for our work. **We are honest about performance.** We require and enable self-management.

02 WE UNDERSTAND AND RESPECT OUR CUSTOMERS AND CONSUMERS

We are endlessly concerned with our customers' needs and perceptions. **We build lasting relationships, based on trust.** We aspire to offer the preferred choices of product and service. **We innovate and lead in a changing world.**

03 WE DO OUR BEST FOR LOCAL COMMUNITIES

We consciously balance local and group interests. **We benefit the local communities in which we operate.** We endeavor to conduct our business in an environmentally sustainable manner.

04 WE WORK AND WIN IN TEAMS

We actively develop and share knowledge within the Company. **We foster trust and integrity in internal relationships.** We encourage camaraderie and a sense of fun.

05 OUR REPUTATION IS INDIVISIBLE

Our reputation relies on the actions and statements of every employee. **We build our reputation for the long term.** We are fair and ethical in all our dealings.

06 OUR PEOPLE ARE OUR ENDURING ADVANTAGE

The calibre and commitment of our people set us apart. **We are a diverse and dynamic team.** We select and develop people for the long term. **Performance is what counts.** Health and Safety issues receive priority attention.

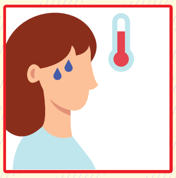
Do's & Don'ts on Coronavirus
COVID-19

COVID-19 is a new illness that can affect your lungs and airways. It's caused by a virus called Coronavirus.

SIGNS AND SYMPTOMS

The symptoms of Coronavirus are:


Cough


High Temperature


Shortness of breath

But these symptoms do not necessarily mean you have the illness. The symptoms are similar to other illnesses that are much more common, such as cold and flu.

HOW CORONAVIRUS IS SPREAD

It is spread from person-to-person through sneezing, or coughing, human to human contact and contact with contaminated surfaces.

HOW TO AVOID CATCHING OR SPREADING CORONAVIRUS

DO'S


Wash your hands with soap and water often – do this for at least 20 seconds


Use hand sanitiser gel if soap and water are not available


When coughing or sneezing, cover your mouth and nose with flexed elbow or tissue


Put used tissues in the bin straight away and wash your hands afterwards

DON'TS


Do not touch your eyes, nose or mouth if your hands are not clean


Try to avoid close contact with people who are unwell


Do not stand in a gathering of more than five people


Avoid handshakes and/or hugging people

If you have fever, cough and difficulty breathing, go to your nearest health facility or clinic immediately. Follow the instructions that your health provider gives you and remember, stay at home if you begin to feel unwell.

Managing Sustainable Development

National Breweries Plc remains committed to our sustainable development agenda as a way of ensuring that we contribute to the protection of the environment while contributing to economic growth by creating employment and empowering individuals in the communities in which we operate.

Waste Management

While managing post-consumer waste remains a great challenge for the business and for the industry in general, it is a challenge that we are constantly and actively tackling. For over 5 years now we have been working with Manja Pamodzi, a waste recycling scheme that has been helping to clean up post-consumer packaging waste in communities. The initiative helps create employment for women in communities through collection and recycling of post-consumer waste. This has allowed vulnerable members of the community to be able to support their families and educate their children for a better future.

During the past year we went a step further and launched a new returnable bottle into our portfolio, which goes a long way in reducing post-consumer waste compared to traditional disposable PET bottles. This innovative pack, which can be re-used several times, will not only contribute towards the environment but also significantly reduces our packaging costs. This enables us to pass on the benefits of more affordable pricing to our consumers. In order to consolidate the growth of the 1.5L returnable bottle across our key urban markets, all 3 breweries in Lusaka, Kitwe and Ndola are fully equipped for returnable bottle production.

Dancers at the Nc'wala ceremony of the Ngoni people in the Eastern province.

Agriculture

Much of the maize used in our production process is bought from local small-scale farmers. We are committed to continued sourcing of grain from smallholder farmers in a way that is mutually beneficial to our business as well as the livelihood of local farmers. This is one way that we continue to contribute towards poverty alleviation and sustainable development in rural communities.

Skills Development

Having the right skills in the right roles is key to building and sustaining our business going forward. A number of highly skilled and experienced Delta Beverages staff have been seconded from Zimbabwe to help in identifying and developing skills in National Breweries operations. Their secondment preceded the recruitment of several Graduate Trainees in different parts of the business that will shadow the more experienced counterparts in a mentorship program. The ultimate aim of the program is to develop local skills and enhance efficiency and productivity in National Breweries PLC

Supporting Local Traditions

Being the leading traditional African beer in the country, it is our aim to cement our brands position as the biggest supporter of Zambian traditional ceremonies. To this end National Breweries Plc part sponsored two of the largest traditional ceremonies in the country, the Kulamba and the Nc'wala Ceremonies. The sponsorships resulted in enhanced visibility for our brand during the events whilst several support activities such as road shows and sampling activations excited consumers.

COVID-19 Pandemic Preparedness

The advent of the COVID-19 pandemic at the tail end of the year under review poses an unprecedented threat in the history of mankind. National Breweries Plc considers the safety of our employees and our consumers as a number one priority in the fight against this deadly disease. To this end we expeditiously reviewed our operational procedures and business continuity plans to greatly minimize the risk of infection to our staff. Some of the measures we implemented are:

- *Training and deployment of anti-COVID-19 response teams in all plants.*
- *Dissemination of anti-COVID-19 literature to all staff*
- *Provision of enhanced sanitary facilities around our plants*
- *Mandatory screening of all staff and visitors entering National Breweries premises*
- *Implementation of social distancing in all work stations*
- *A work from home policy for non-essential workers using electronic platforms to maintain productivity.*

During the past year we went a step further and launched a new returnable bottle into our portfolio, which goes a long way in reducing post-consumer waste compared to traditional disposable PET bottles. This innovative pack, which can be re-used several times, will not only contribute towards the environment but also significantly reduces our packaging costs.

Directors' Report

The Directors present their annual report on the affairs of the Company together with the financial statements and the auditor's report for the year ended 31 March 2020.

Principal Activities

The principal activity of the Company continued to be the production, packaging, distribution and sale of traditional beverages. In the opinion of the Directors, all the activities of the Company substantially fall within the same industry categorisation

Going Concern

The Company has incurred losses in the past two financial years and its current liabilities currently exceed its current assets by **K194.8 million** (2019: K101.8 million). This has raised material uncertainty about the ability of the Company to continue as a going concern. The Company has, however, implemented a turnaround strategy which has seen a significant rebound in volumes and an easing of the previously constrained working capital position, and the Directors believe that these benefits are sustainable into the foreseeable future. This strategy is fully supported by the major shareholder, Delta Corporation Limited, who have, in addition, pledged their continued financial support for the foreseeable future. Based on this, the Directors believe that the Company will continue as a going concern and that it will be able to meet its financial obligations as and when they fall due.

Results and Dividends

The loss for the year amounted to **K114.2 million** (2019: K37.6 million). The Company did not pay dividends during the year (2019: Nil). The Directors did not recommend an interim dividend for the year ended 31 March 2020. Further Directors will not propose a final dividend for the year ended 31 March 2020 (2019: Nil).

Directors

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

Name	Role	Date of appointment/resignation
Richard Mazombwe (Mr.)	**Chairman**	*Appointed 29 March 2018*
Ronny Palale (Mr.)	**Executive Director**	*Resigned 15 January 2020*
Martin Makomva (Mr.)	**Executive Director**	*Appointed 16 January 2020*
Vongai Chiwaridzo (Mrs.)	**Executive Director**	*Appointed 29 March 2018*
Pearson Gowero (Mr.)	**Non - Executive Director**	*Appointed 28 February 2018*
Etherton Runyararo Mpisaunga (Mr.)	**Non - Executive Director**	*Appointed 28 February 2018*
Faith Mukutu (Ms.)	**Non - Executive Director**	*Appointed 23 July 2018*
Ackim Chalwe (Mr.)	**Non - Executive Director**	*Appointed 23 July 2018*
Natasha Chiumya (Ms.)	**Non - Executive Director**	*Appointed 23 July 2018*

Number of Employees and Remuneration

The total remuneration of employees during the year amounted to **K50.0 million** (2019: K50.2 million). The average number of employees for each month of the year was as follows:

Month	*Year ended 31 March 2020*	*Year ended 31 March 2019*
January	-	*371*
February	-	*366*
March	-	*359*
April	356	*375*
May	356	*402*
June	354	*410*
July	358	*414*
August	354	*412*
September	352	*407*
October	355	*420*
November	349	*411*
December	358	*398*
January	363	*396*
February	359	*391*
March	352	*359*

Gifts and Donations

The Company did not make any donations during this and the last year.

Property, Plant and Equipment

The Company purchased property, plant and equipment amounting to **K13.7 million** (2019: K7.5 million) during the year. In the opinion of the Directors, the recoverable amount of property and equipment is not less than the carrying value.

Health and Safety

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

Share Capital

The authorised share capital of the Company remains unchanged at 75,000,000 ordinary shares of K0.01 each, of which 63,000,000 are issued and fully paid.

Statement on Corporate Governance

National Breweries Plc takes the issue of corporate governance seriously. The Company's focus is to have a sound corporate governance framework that contributes to improved corporate performance and accountability in creating long term shareholder value.

The Board meets at least four times a year and concerns itself with key matters and the responsibility for implementing the Company's strategy is delegated to management. The Board of Directors continues to provide considerable depth of knowledge and experience to the business.

There is strong focus by the Audit Committee on matters relating to financial operations, fraud, application of accounting and control standards and results. The Audit Committee also meets at least twice a year.

The Company has put in place a Code of Conduct and Anti-Bribery & Anti-Corruption Policy that sets out the standards on how staff should behave with all stakeholders. An effective monitoring mechanism to support management's objective of enforcing the Code of Conduct and Anti- Bribery & Anti-Corruption has been developed and is being used across the Company.

COVID-19

On 11 March 2020 the World Health Organisation (WHO) declared COVID-19 a global pandemic and called on all nations and all citizens to be involved in fighting it. Although the pandemic had no material impact on the business that requires disclosure in or adjustment to the financial statements at 31 March 2020, subsequent to this date, COVID-19 has had a major impact on the Company and on the economy as a whole.

The measures taken by the Government of Zambia to combat the spread of the pandemic and in particular the closure of bars and nightclubs, had a beneficial effect on demand for the Company's main product because of its intrinsic properties, including a long shelf life.

In response to the increase in demand for its products, the Company is in the process of accelerating its equipment care and maintenance program, and to date, good progress has been achieved. The COVID-19 pandemic has also significantly slowed down the movement of raw materials and other goods and services particularly across national borders.

The Board cannot reasonably estimate the duration and severity of the COVID-19 pandemic at this stage as it is complex and rapidly evolving. Management have, however, implemented mitigatory measures that will ensure that the Company remains in operation for the foreseeable future.

Subsequent Events

There were no events subsequent to year end that require an adjustment to or disclosure in these financial

Auditors

The Company's Auditors, Messrs Deloitte & Touche, indicated their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By Order of the Board

COMPANY SECRETARY
LUSAKA
Date: 1 June 2020

Statement of Responsibility For the Annual Financial Statements

For the year ended 31 March 2020

The Companies Act, 2017 requires the Directors to prepare 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 Part VII Sections 82 to 122 of the Companies Act, 2017.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 22 to 24.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error. In addition, the Directors are responsible for preparing the Directors report.

The Directors are of the opinion that the financial statements set out on pages 25 to 57 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards and the Companies Act, 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

The Directors as highlighted under the Directors' report, have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern for at least twelve (12) months from the date of this statement.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial framework described above.

Approval of the Financial Statements

The financial statements of National Breweries Plc, set out on pages 25 to 57, were prepared by the Finance Director and Management Accountant, both are Chartered Accountants, under the supervision of the Audit Committee and were approved by the Board of Directors on **1 June 2020** and signed on its behalf by:

R. Mazombwe
CHAIRMAN

M. R. Makomva
MANAGING DIRECTOR

Chibuku Super Extra Malt

Premium Quality

Extra Malt, Extra Flavour!

Independent Auditor's Report

To the members of

National Breweries Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Breweries Plc ("the Company"), set out on pages 25 to 57 which comprise the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of National Breweries Plc, as at 31 March 2020, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies Act, 2017.

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 Financial Statements section* of our report. We are independent of the Company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Zambia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 5 in the financial statements, which indicates that the Company incurred a net loss of **K114.17 million** (2019: K37.64 million) during the year ended 31 March 2020 and, as of that date, the Company's current liabilities exceeded its current assets by **K194.87 million** (2019: K101.84 million). As stated in Note 5, these events or conditions, along with other matters as set forth in Note 5, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 the matter was addressed in our audit**
Revenue recognition	
The Company has high volume of revenue transactions and the price discount computation process is highly automated. As a result of the significance of this process, volume of transactional data involved and the inherent susceptibility of discounts to misstatements, this was considered a key audit matter. The revenue recognition policy is disclosed in Note 3 (c) and revenue recognised disclosed in Note 7.	Our procedures included but were not limited to the following: ▪ Obtained an understanding of the Company's revenue recognition process. ▪ Performed walkthroughs of the different classes of revenue transactions and evaluated the design and implementation of controls. ▪ Involved our Risk Advisory specialist to test the controls within the SAP system and the control environment relevant to revenue. ▪ Performed a recomputation to assess whether the system computed price discounts accurately.

Key Audit Matters (Continued)

Key Audit Matter

	How the matter was addressed in our audit
Revenue recognition	
	▪ Performed substantive analytical procedures to assess reasonableness of the revenue recorded in the financial statements. ▪ Selected a sample of invoices from the general ledger and traced to support documentation such as proof of deliveries in order to obtain comfort on the recorded revenue. ▪ Agreed the price discounts captured in the system to manually approved price discounts and performed a recalculation to assess whether the system computed price discounts accurately. Further we traced the price discounts recorded during the period to source documentation. ▪ We found the controls over price discounts to be effective, and our substantive testing did not reveal any material misstatements.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act, 2017 and the statement of responsibility for the annual financial statements, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained on the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by of the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors, as highlighted above, 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Auditors' responsibilities for the audit of the financial statements (Continued)

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

Companies Act, 2017

Section 250 (2) and 259 (3) of the Companies Act, 2017 requires that in carrying out our audit, we consider and report on whether:

- There is a relationship, interest or debt which we as the Company's auditors have in National Breweries Plc;
- There are serious breaches by the Company's Directors of the corporate governance principles or practices contained in Part VII sections 82 to 112 of the Companies Act, 2017; and
- There is an omission in the financial statements as regards particulars of loans made to a Company officer (a director, Company secretary or executive officer of a Company) during the year, and if reasonably possible, disclose such information in our opinion.

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

Lusaka Stock Exchange Listing rules

In accordance with Section 8 (63) of the Lusaka Stock Exchange Listing rules, we report that the Company has complied with the requirements of section 8.63 (b) - (l) and (n) with regards disclosure of Directors' remuneration.

Deloitte & Touche

DELOITTE & TOUCHE

ANDREW NJOVU
PARTNER
AUD/F000802

DATE: 4th June 2020

Financial Statements

For the year ended 31 March 2020

FINANCIAL STATEMENTS

	Note	Year ended 31 March 2020 K'000	15 months ended 31 March 2019 K'000
Revenue	8	**226,552**	327,528
Cost of sales		**(168,316)**	(207,818)
Gross profit		**58,236**	119,710
Distribution costs		**(18,535)**	(24,284)
Administrative expenses		**(109,613)**	(117,321)
Operating loss		**(69,912)**	(21,895)
Finance income	9	**61**	313
Net exchange losses	10	**(18,223)**	(6,848)
Finance costs	11	**(22,731)**	(17,106)
Loss before tax	12	**(110,805)**	(45,536)
Income tax (expense)/credit	13	**(3,365)**	7,894
Total comprehensive loss		**(114,170)**	(37,642)
Basic and diluted loss per share (Kwacha)	14	**(1.81)**	(0.60)

There were no items of other comprehensive income for the year (2019: Nil).

As at 31 March 2020

	Note	**2020 K'000**	2019 K'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**236,173**	243,106
Intangible assets	18	**1,341**	1,715
Deferred tax asset	16	**-**	3,344
		237,514	248,165
Current assets			
Inventories	19	**19,654**	18,006
Trade and other receivables	20	**8,436**	18,479
Current tax asset	13	**10,331**	10,352
Amounts due from a related party	26	**642**	642
Bank and cash balances	21	**6,452**	7,345
		45,515	54,824
Total assets		**283,029**	302,989
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**630**	630
Retained earnings		**6,529**	120,699
Total equity		**7,159**	121,329
Non-current liabilities			
Long term borrowings	23	**35,479**	25,000
		35,479	25,000
Current liabilities			
Bank overdraft	21	**49,659**	44,788
Short term borrowings	23	**29,953**	15,000
Trade and other payables	22	**102,694**	85,942
Amounts due to related parties	26	**58,085**	10,930
		240,391	156,660
Total liabilities		**275,870**	181,660
Total equity and liabilities		**283,029**	302,989

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 20. The financial statements on pages 25 to 57 were approved and authorised for issue by the Board of Directors on **1 June 2020** and were signed on its behalf by:

R. Mazombwe
CHAIRMAN

M. R. Makomva
MANAGING DIRECTOR

Statement of Changes in Equity

For the year ended 31 March 2020

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

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 K'000	15 months ended 31 March 2019 K'000
Cash flows from operating activities			
Loss before income tax		**(110,805)**	(45,536)
Adjustments for:			
Interest income	9	**(61)**	(313)
Interest expense	11	**22,731**	17,106
Depreciation expense	17	**18,867**	24,748
Amortisation - containers	17	**1,143**	1,343
Profit on sale of property, plant and equipment		**(455)**	(1,428)
Impairment loss recognised on trade receivables	20	**400**	1,995
Amortisation of intangible assets	18	**474**	288
Unrealised exchange losses		**12,521**	2,174
Net cashflow from operating activities before movement in working capital		**(55,185)**	377
Movement in working capital			
Decrease (increase) in trade and other receivables		**9,643**	(13,253)
Increase in inventories		**(1,648)**	(9,304)
Decrease in amounts due from a related party		**-**	17,013
Increase in amounts due to related parties		**47,155**	10,930
Increase in trade and other payables		**16,752**	23,341
Cash generated from operations		**16,717**	29,104
Interest received	9	**61**	313
Interest paid	11	**(22,731)**	(17,106)
Income tax paid	13	**-**	(5,664)
Net cash (used in)/generated from operating activities		**(5,953)**	6,647
Cash flows from investing activities			
Purchase of property and equipment	17	**(13,705)**	(7,461)
Proceeds from sale of property and equipment		**1,083**	1,594
Purchase of intangible assets	18	**(100)**	(2,003)
Net cash flows used in investing activities		**(12,722)**	(7,870)
Cash flows from financing activities			
Borrowings received	23	**79,600**	-
Borrowings repaid	23	**(54,168)**	(60,000)
Net cash generated from / (used in) flows used in financing activities		**25,432**	(60,000)
Movement in cash and cash equivalents			
Increase (decrease) in cash and cash equivalents		**6,757**	(61,223)
Cash and cash equivalents at beginning of the year/period		**(37,443)**	25,954
Effect of foreign exchange rate changes		**(12,521)**	(2,174)
Cash and cash equivalents at end of the year/period	21	**(43,207)**	(37,443)

1. CORPORATE INFORMATION

National Breweries PLC is incorporated in Zambia under the Companies Act, 2017 as a public limited Company, and is domiciled in Zambia. The Company is listed on the Lusaka Stock Exchange and was incorporated in 1968. The address of its registered office is:

Plot 1609/10
Sheki Sheki Road
P O Box 35135
Lusaka

The Company's principal activities are disclosed on page 1 of the directors' report.

The financial statements for the period ended 31 March 2020 were authorised for issue in accordance with a resolution of the Directors on 1 June 2020.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Company, has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 April 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

(a) Impact on the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of- use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(c) Impact on Lessor Accounting

(ii) Former finance leases

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(c) Impact on Lessor Accounting (continued)

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The impact of IFRS 16 application did not have a material effect on the Company's financial statements.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 April 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

– If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

– If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.2 New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Amendments to IAS 1 and IAS 8	*Definition of material*
Conceptual Framework	*Amendments to References to the* Conceptual Framework in IFRS Standards

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 March 2020, with early application permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Revenue recognition

Company’s revenue arises from sales of Chibuku Super and Chibuku Shake Shake to distributors and wholesalers.

Revenue comprises the fair value of the consideration received or receivable for the ale of goods in the ordinary course of the Company's activities. Revenue is shown net of value added tax (VAT), excise duty and discounts.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes/duties, discounts and process waivers. In order to determine if it is acting as a principal or as an agent, the Company assesses whether it is primarily responsible for fulfilling the performance obligation. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods are recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer 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.

(d) Segment Reporting

A business segment is a Company of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currencies

The financial statements are presented in Zambian Kwacha, being the currency of the primary economic environment in which the Company operates (the functional currency). Transactions in foreign currencies are converted into Zambia Kwacha using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate ruling at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income as net exchange (losses) / gains.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. All property, plant and equipment is subsequently measured at historical cost less accumulated depreciation and impairment loss. 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. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impairment losses on property, plant and equipment are recognized in profit or loss during the period. Reversals of impairment losses are recognized in profit or loss during the period. In addition, impairment losses on revalued assets are recognized in other comprehensive income during the period.

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.

The carrying amount of property, plant and equipment that is disposed off is derecognized when the criteria for sale of goods in IFRS 15 is met.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment, and adjusted prospectively. Land is not depreciated:

Categories	**Years**
Leasehold buildings	40 - 60 years
Equipment	5 - 25 years
Motor vehicles	4 - 10 years
Fixtures, fittings and office equipment	5 - 15 years
Containers	1 - 2 years

Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement and disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
  and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Company determined whether the arrangement was or contained a lease based on the 'assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  -the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  -the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output more equal to the current market price per output.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the full life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as operatiing leases. The Company did not have any finance leases. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Payments made under operating leases were recognised in the profit or loss on a straight-line basis over the term of the lease.

(h) 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.

(i) Trade receivables

Trade receivables are amounts due from customers from merchandise 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 fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(j) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalent includes 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 measured at amortised costs.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Statement of cash flows

Cash flows are reported using the indirect method as per IAS-7"Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method;

When calculating the effective interest rate, the entity estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate.

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

(m) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss:
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Financial assets (continued)

(i) Significant increase in credit risk (continued)

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Financial assets (continued)

(v) *Measurement and recognition of expected credit losses (continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Share capital

Ordinary shares are classified as 'share capital' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

Where any Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received , net of any directly attributable incremental transactions costs and the related income tax effects is included in equity attributable to the Company's holders.

(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.

(p) Employee benefits

(i) Retirement benefit obligations

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

A defined contribution plan is a retirement benefit 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 in separate trustee administered funds, which are funded by contributions from both the company and employees.

The contributions to the defined contribution schemes are recognised in profit or loss in the year in which they fall.

(ii) Other entitlements

The estimated liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except: When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Intangible assets

The Company's intangible asset comprise of computer software stated at historical cost less accumulated depreciation. 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.

The computer software is amortised over the useful life of 4 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(s) Impairment of non-financial assets

Property, plant and equipment (PPE) and Intangible assets

PPE and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

Reversal of impairment losses

Impairment losses are reversed and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

(t) Dividends

Dividends payable to the company's shareholders are charged to equity in the period in which they are declared.

FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(v) Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

(w) Comparatives

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

(x) Earning per share (EPS)

The Company presents the Basic and Diluted EPS data. Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Critical accounting estimates and assumptions

The Company makes 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.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables. The Company uses a provision matrix to measure the expected credit loss of trade receivables. Factors taken into consideration in making such judgments include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 20.

Taxes

(i) Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

(ii) Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS(CONTINUED)

Taxes

(i) Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

(ii) Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Determination of residual values and useful lives

Judgment and estimations are used when determining the residual values and useful lives of property, plant and equipment on annual basis.

5. GOING CONCERN

The Company incurred a loss for the year ended 31 March 2020 of K114. 2million (2019: K37.6 million) and as of that date, the Company's current liabilities exceeded its current assets by K194.9 million (2019: K101.8 million), giving an indication of material uncertainty of the going concern assumption.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Company to continue as a going concern is predicated on an upswing in volumes in response to various measures taken during the year. Additional measures planned during the next financial year ending 31 March 2021 will help to consolidate these gains, further stabilize the Company and enhance its profitability. In addition, Delta Corporation Limited has pledged its continued financial support for the forthcoming financial year. It has also confirmed its continued undertaking and ability to provide further financial support to the Company for the foreseeable future, should this be required, enabling the Company to pay its debts as and when they fall due.

The Directors believe that there is no uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The Company will therefore, be able to realise its assets and discharge its liabilities in the normal course of business.

On the basis of cash flow information prepared by the Directors and after consultation with its shareholders, the Directors consider that the Company will continue to operate for the foreseeable future within the available financial resources. Accordingly, the Directors are of the opinion that the preparation of these financial statements on the going concern basis is appropriate.

6. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: Market risk (including Foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company 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 recognised assets and liabilities.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies and hedging through foreign currency forward contract. Policy is consistent with previous period.

The sensitivity analysis has been prepared on the basis that the trade receivables, payables and borrowings and the proportion of financial instruments in foreign currencies are all constant.

FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

The assumption in calculation of the sensitivity analysis is that: the sensitivity of the relevant statement of profit or loss is the effect of the assumed changes in the respective market risk, the sensitivity of equity is calculated by considering the effects of the assumed changes of the underlying risks.

At 31 March 2020, if the Kwacha had weakened by 5% (2019: 5%) against the US dollar with all other variables held constant, post tax profit for the period would have been **K0.04 million** (2019: K0.01 million) lower/higher, mainly as a result of US dollar denominated cash balances and trade payables. There would be no impact on equity.

At 31 March 2020, if the Kwacha had weakened/strengthened by 5% (2019: 5%) against the ZAR with all other variables held constant, post tax profit for the period would have been **K0.3 million** (2019: K0.2m) lower/higher, mainly as a result of ZAR denominated cash balances and trade payables. There would be no impact on equity.

At 31 March 2020, if the Kwacha had weakened 5% (2019: 5%) against the EUR with all other variables held constant, post tax profit for the period would have been **K1.1 million** (2019: K0.8 million) lower/higher, mainly as a result of EUR denominated cash balances and trade payables. There would be no impact on equity.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows:

Exposure to currency risk

31 March 2020

	USD	ZAR	EUR	Total
Cash & cash equivalents (net)	4,495	23	77	4,595
Trade and other payables	(761)	(6,622)	(1,185)	(8,568)
	3,734	**(6,599)**	**(1,108)**	**(3,973)**

31 March 2019

	USD	ZAR	EUR	Total
Cash & cash equivalents (net)	104	106	4,554	4,764
Trade and other payables	(123)	(5,328)	(1,463)	(6,914)
	(19)	(5,222)	3,091	(2,150)

The following exchange rates applied during the year:

31 March 2020

	USD	ZAR	EUR
Average Rate	13.72	0.93	15.22
Closing Rate	17.56	1.00	18.98

31 March 2019

	USD	ZAR	EUR
Average Rate	10.75	0.80	12.58
Closing Rate	11.95	0.86	13.56

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The Company's interest bearing financial liabilities were the overdraft of **K49.6 million** (2019: K44.8 million) and the borrowing of **K65.4 million** at the year end (2019: K40.0 million). The interest rate consists of the Monetary Policy Rate (MPR) plus a margin. The margin is fixed at an agreed period (subject to the significant change in market condition) and on which it was therefore not exposed to cash flow interest rate risk. The Company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 March 2020, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, pre tax profit would have been **K0.6 million** (2019: K2.5 million) lower/higher.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company and arises from cash equivalents and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables. For banks and financial institutions, only reputable institutions are used.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The amount that best represents the Company's maximum exposure to credit risk at 31 March 2020 is made up as follows:

	Note	2020 K'000	2019 K'000
Cash and cash equivalents	21	**6,417**	7,345
Trade receivables (net)	20	**5,152**	7,453
		11,569	14,798

Impairment losses

The aging of trade receivables at the reporting date was:

	31 March 2020 K'000	31 March 2020 K'000	31 March 2019 K'000	31 March 2019 K'000
	Gross amount	**Impaired**	Gross amount	Impaired
30 days	**4,769**	**-**	8,199	-
60 days	**1,033**	**-**	995	-
90 days and above	**3,802**	**4,452**	2,311	4,052
	9,604	**4,452**	11,505	4,052

Collateral is held for some of the above assets namely distributors with bank guarantees of **K350,000** as at 31 March 2020 (2019: K350,000). Trade receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

	2020 K'000	2019 K'000
Past due but not impaired:		
- by up to 30 days	**2,056**	2,256
- by 31 to 90 days	**1,033**	157
Total past due but not impaired	**3,089**	2,413

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the finance department maintain flexibility in funding by maintaining availability under committed credit lines.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Note	Less than 1 year K'000	Between 1 and 2 years K'000	Between 2 and 5 years K'000
At 31 March 2020				
- Trade and other payables	22	102,694	-	-
- Related company payables	26 (v)	58,085	-	-
- Bank overdrafts	21	49,659	-	-
- Borrowings	23	29,953	-	35,479
At 31 March 2019				
- Trade and other payables	22	85,942	-	-
- Related company payables	26 (v)	10,930	-	-
- Bank overdrafts	21	44,788	-	-
- Borrowings	23	15,000	-	25,000

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's 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 limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at 31 March 2020 and 31 March 2019 were as follows:

	2020 **K'000**	2019 K'000
Total borrowings (including bank overdraft and loan)	115,091	84,788
Less: cash and cash equivalents	(6,452)	(7,345)
Net debt	108,639	77,443
Total equity	7,159	121,329
Total capital	115,798	198,772
Gearing ratio	**94%**	39%

8. REVENUE

The Company derives its revenue from contracts with customers for the transfer of product over time and at a point in time in the following two product lines. Analysis of revenue by category:

	Year ended 31 March 2020 **K'000**	15 months ended 31 March 2019 K'000
Chibuku Super	**140,582**	213,476
Chibuku Shake Shake	**74,705**	114,052
Chibuku Scud	**9,559**	-
Chibuku Extra Malt	**1,706**	-
	226,552	327,528

The Company has a single reportable segment. The operations of the Company are located in only one geographic location, Zambia in Lusaka, Kitwe and Ndola.

	Year ended 31 March 2020 **K'000**	15 months ended 31 March 2019 K'000
9. OTHER OPERATING & FINANCE INCOME		
Other income	**61**	313
10. NET EXCHANGE LOSSES		
Net exchange loss arose on:		
Borrowings and cash and cash equivalents	**(18,223)**	(6,848)

11. FINANCE COSTS

Interest expense on borrowings	**(22,731)**	(17,106)

12. LOSS BEFORE TAX

Loss before tax is stated after crediting:

Profit on disposal	**455**	1,428
Interest income (note 9)	**61**	313
Operating lease rentals	**-**	54
and after charging:		
Employee benefits expense	**49,979**	50,192
Depreciation on property and equipment (Note 17)	**18,867**	24,748
Receivables - provision for impairment losses (note 20)	**400**	1,995
Auditors' remuneration	**912**	651
Amortisation of intangible assets (Note 18)	**474**	288

13. INCOME TAX

Current income tax	**21**	217
Deferred income tax (Note 14)	**3,344**	(8,111)
	3,365	(7,894)

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:

Loss before income tax	**(110,805)**	(45,536)
Tax calculated at the statutory income tax rate of 35%	**(38,782)**	(15,938)
Tax on other income	**21**	-
Non deductible expenses	**-**	2,368
Effect of income taxed using a higher tax rate	**-**	68
Effect on income tax using a lower tax rate due to ZDA incentives	**12,189**	5,608
Reversal of opening deferred tax asset (note 16)	**3,344**	-
Effect of deferred tax on losses not provided	**26,593**	-
Income tax expense/(credit)	**3,365**	(7,894)

Deferred tax has not been provided for due to the continued tax loss situation.

FINANCIAL STATEMENTS

13. INCOME TAX (CONTINUED)

	2020 K'000	2019 K'000
Current tax asset		
Current income tax movement in the statement of financial position:		
At start of the year/period	**10,352**	4,905
Current income tax charge	**(21)**	(217)
Payments during the year/period	**-**	5,664
At end of the year/period	**10,331**	10,352

Income tax provisional returns have been filed with the Zambia Revenue Authority (ZRA) for the period ended 31 March 2020.

Subject to agreement with the Zambia Revenue Authority, the Company has estimated tax losses of approximately **K166.9 million** (2019: K162.4 million) available to carry forward for a period of not more than 5 years from the charge year in which they were incurred, for set off against future taxable profits from the same source.

These losses expire as follows:

	2020 K'000	2019 K'000
2015 losses to be carried forward to 2020	**-**	38,898
2016 losses to be carried forward to 2021	**120,759**	120,759
2017 losses to be carried forward to 2022	**(1,494)**	(1,494)
2018 losses to be carried forward to 2023	**4,283**	4,283
2019 losses to be carried forward to 2024	**43,326**	-
	166,874	162,446

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 in issue during the period. There were no potentially dilutive shares outstanding at 31 March 2020 and 31 March 2019. Diluted earnings per share is therefore the same as basic earnings per share.

	2020	2019
Loss attributable to the equity holders of the Company	**(114,170)**	(37,642)
Weighted average number of ordinary shares (Nos '000)	**63,000**	63,000
Basic/diluted loss per share (Kwacha)	**(1.81)**	(0.60)

15. SHARE CAPITAL

	Number of shares (million)	Ordinary shares (K 000)	Share premium (K 000)
At 31 March 2020	**63,000**	**630**	**-**
At 31 March 2019	63,000	630	-

The total authorised number of ordinary shares is 75 million with a par value of K0.01 per share. The total issued number of ordinary shares is 63 million with a par value of K0.01 per share. All issued shares are fully paid.

16. DEFERRED TAX

Deferred tax liability is calculated using the enacted income tax rate of 35**%** (2019: 35%). The movement on the deferred tax account is as follows:

	2020	2019
	K'000	K'000
At the beginning of the year	**(3,344)**	4,767
Charge (credit) to profit or loss	**3,344**	(8,111)
At the end of the year	**-**	(3,344)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

	At 1 April	**Charged/ (credited) to profit/loss**	**At 31 March**
	K'000	**K'000**	**K'000**
31 March 2020			
Deferred income tax liabilities			
Property and equipment	41,085	(41,085)	-
Unrealised exchange gains	12	(12)	-
	41,097	(41,097)	-
Deferred income tax assets			
Other temporary deductible differences	(5,454)	5,454	-
Tax losses	(38,987)	38,987	-
	(44,441)	44,441	-
Net deferred income tax asset	**(3,344)**	**3,344**	**-**
31 March 2019			
Deferred income tax liabilities			
Property and equipment	36,598	4,487	41,085
Unrealised exchange gains	-	12	12
	36,598	4,499	41,097
Deferred income tax assets			
Other temporary deductible differences	(198)	(5,256)	(5,454)
Tax losses	(31,633)	(7,354)	(38,987)
	(31,831)	(12,610)	(44,441)
Net deferred income tax asset	**4,767**	**(8,111)**	**(3,344)**

In the year 2020 the Company has reversed the deferred tax asset bringing the balance to **nil** (2019: K3.3 million).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings K'000	Equipment K'000	Fixture, fittings, office equipment K'000	Capital work in progress K'000	Total K'000
COST					
At 1 January 2018	87,805	290,123	8,391	5,598	391,917
Additions	-	-	-	7,461	7,461
Disposals	-	(4,814)	-	-	(4,814)
Transfers	1,919	11,096	1,127	(14,142)	-
Adjustments	(1,716)	(34,255)	(5,362)	1,300	(40,033)
At 31 March 2019	**88,008**	**262,150**	**4,156**	**217**	**354,531**
At 1 April 2019	88,008	262,150	4,156	217	354,531
Additions	-	13,579	-	126	13,705
Disposals	-	(2,165)	-	-	(2,165)
Transfers	-	216	-	(216)	-
At 31 March 2020	**88,008**	**273,780**	**4,156**	**127**	**366,071**
DEPRECIATION					
At 1 January 2018	(11,030)	(112,278)	(6,707)	-	(130,015)
Charge for the year	(2,909)	(21,540)	(299)	-	(24,748)
Disposal	-	4,648	-	-	4,648
Adjustments	1,668	33,940	4,425	-	40,033
Container write off	-	(1,343)	-	-	(1,343)
At 31 March 2019	**(12,271)**	**(96,573)**	**(2,581)**	**-**	**(111,425)**
At 1 April 2019	(12,271)	(96,573)	(2,581)	-	(111,425)
Charge for the year	(2,366)	(16,253)	(248)	-	(18,867)
Disposal	-	1,537	-	-	1,537
Container write off	-	(1,143)	-	-	(1,143)
At 31 March 2020	**(14,637)**	**(112,432)**	**(2,829)**	-	**(129,898)**
Carrying amount:					
At 31 March 2020	**73,371**	**161,348**	**1,327**	**127**	**236,173**
At 31 March 2019	75,737	165,577	1,576	216	243,106

A schedule listing of the properties as required by section 279 and the second schedule of the Companies Act, 2017 is available for inspection by the members or their authorised representatives at the registered office of the Company.

18. INTANGIBLE ASSETS

	Intangible assets K'000	Total K'000
Historical Cost :		
At 1 January 2018	2,450	2,450
Additions	2,003	2,003
At 31 March 2019	4,453	4,453
At 1 April 2019	4,453	4,453
Additions	100	100
At 31 March 2020	**4,553**	**4,553**
Depreciation		
At 1 January 2018	(2,450)	(2,450)
Charge for the year	(288)	(288)
At 31 March 2019	(2,738)	(2,738)
At 1 April 2019	(2,738)	(2,738)
Charge for the year	(474)	(474)
At 31 March 2020	**(3,212)**	**(3,212)**
Carrying amount:		
At 31 March 2020	**1,341**	**1,341**
At 31 March 2019	1,715	1,715

19. INVENTORIES

	2020 K'000	2019 K'000
Merchandise held for sale	**19,654**	18,006

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to **K131.9 million** (2019: K126 million).

There was no inventory write down in the year ended 31 March 2020 (2019: K1.05 million).

20. TRADE AND OTHER RECEIVABLES

Trade receivables	**9,604**	11,505
Less provision for impairment losses (note 6)	**(4,452)**	(4,052)
Net trade receivables	**5,152**	7,453
Prepayments	**1,661**	9,435
Other receivables	**1,623**	1,591
	8,436	18,479
Balance at the beginning of the period	**4,052**	2,734
Transfer to credit-impaired	**400**	1,995
Amounts recovered	**-**	(469)
Amounts written off	**-**	(208)
Balance as at the end of the period	**4,452**	4,052

	2020 K'000	2019 K'000

21. CASH AND CASH EQUIVALENTS

	2020 K'000	2019 K'000
Cash and bank balances	**6,417**	7,345
Cash in hand	**35**	-
	6,452	7,345
Bank overdrafts	**(49,659)**	(44,788)
	(43,207)	(37,443)

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash in hand, and deposits held at call with the bank, net of the bank overdraft.

The Company had an over drawn amount as at the year-end of K49.7 million (2019: K44.8million). The overdraft facility limit is **K50.0 million** and is subject to an annual review. No collateral is held for this facility. The overdraft limit was not exceeded at any time during the period.

	2020 K'000	2019 K'000
Standard Chartered Bank Zambia Plc	**(49,659)**	(44,788)

22. TRADE AND OTHER PAYABLES

	2020 K'000	2019 K'000
Trade payables	**73,279**	57,221
Accrued expenses	**28,314**	26,333
Dividends payable	**1,101**	2,388
	102,694	85,942

Trade payables are non interest bearing and are normally settled on 60 day terms. Accrued expenses and other payables are non interest bearing and have an average term of 90 days.

The carrying amount of the above payables and accrued expenses approximate their fair values because of their short term nature.

23. BORROWINGS

	2020 K'000	2019 K'000
Current	**29,953**	15,000
Non current	**35,479**	25,000
	65,432	40,000
At 1 April 2019	**40,000**	100,000
Draw down in the year	**79,600**	-
Repayment during the year	**(54,168)**	(60,000)
At 31 March 2020	**65,432**	40,000

The borrowings are due to Zambia National Commercial Bank Plc. The loan tenor is 3 years from 31 October 2019 to 31 March 2023 at an interest rate of 25.25%. Zambia National Commercial Bank Plc holds National Breweries Plc Lusaka Brewery property collateral for this facility.

24 CONTINGENT LIABILITIES

Legal proceedings

The Company had some pending legal proceedings as at 31 March 2020. The Directors are of the opinion that having obtained relevant legal advice that there will be no material losses arising from pending proceedings against the Company.

Tax proceedings

During the year, Zambia Revenue Authority (ZRA) did not issue any administrative assessments relating to Withholding tax, Excise Duty and Value Added Tax (VAT).

25 CAPITAL COMMITMENTS

	2020 K'000	2019 K'000
Authorised by the directors but not contracted for	**6,495**	15,840
Capital expenditure contracted (gross) as at the reporting date but not recognised in the financial statements is as follows:	**-**	1,334

The capital expenditure is to be financed out of the Company's own cash resources and existing borrowing facilities.

26. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties:

i) Management fees expenses

Delta Corporation Limited	Zimbabwe	Parent Company	**6,388**	2,607
			6,388	2,607

ii) Payable from related parties

Name of related party	Country of incorporation	Relationship to Company		
Delta Corporation Limited	Zimbabwe	Parent Company	**642**	642
			642	642

26. RELATED PARTY DISCLOSURE (CONTINUED)

iii) Payable to related parties

Name of related party	Country of incorporation	Relationship to Company	2020 K'000	2019 K'000
Zambian Breweries Plc	Zambia	Related party	**3,064**	3,063
Delta Corporation Limited	Zimbabwe	Parent Company	**55,021**	7,867
			58,085	10,930

No provisions for impairment losses have been required in 2020 for any related party receivables.

Amounts due from/to related parties carry no interest , are receivable/payable on demand and are at arm length.

iv) Key management compensation

	2020 K'000	2019 K'000
Salaries and other short-term employment benefits	**13,534**	12,207

v) Directors' remuneration

	2020 K'000	2019 K'000
Fees for services as a director	**1,474**	852

vi) Compensation of directors for the period ended 31 March 2020

	Sitting fees	Basic Salary	Motor Vehicle Allowance	Performance Bonus	Out of Country Allowance	Housing Allowance	Other	Total
Non-Executive								
Richard Mazombwe (Mr.)	436,372	-	-	-	-	-	-	436,372
Faith Mukutu (Ms.)	318,999	-	-	-	-	-	-	318,999
Ackim Chalwe (Mr.)	384,689	-	-	-	-	-	30,627	415,316
Natasha Chiumya (Ms.)	334,184	-	-	-	-	-	-	334,184
Executive								
Ronny Palale (Mr.)	-	1,069,358	355,642	-	-	-	701,474	2,126,474
Martin Rutendo Makomva (Mr.)	-	695,419	-	-	-	156,130	112,899	964,448
Vongai Chiwaridzo (Mrs.)	-	1,577,287	449,232	-	236,593	533,646	388,192	3,184,950
	1,474,244	**3,342,064**	**804,874**	**-**	**236,593**	**689,776**	**1,233,192**	**7,780,743**

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- *Level 1* : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- *Level 2* : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3* : Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Categories of financial instruments

Financial assets	**2020**	2019
	K'000	K'000
Assets at amortised cost:		
Trade and other receivables	**8,436**	18,479
Cash and bank balances	**6,417**	7,345
Amounts due from related parties	**642**	642
	15,495	26,466
Financial liabilities		
Liabilities at amortised cost:		
Trade and other payables	**102,694**	85,942
Borrowings	**65,432**	40,000
Amounts due to related parties	**58,085**	10,930
Bank overdraft	**49,659**	44,788
	275,870	181,660

28. EVENTS AFTER REPORTING DATE

On 11 March 2020 the World Health Organisation (WHO) declared COVID-19 a global pandemic and called on all nations and all citizens to be involved in fighting it. Although the pandemic had no material impact on the business that requires disclosure in or adjustment to the financial statements at 31 March 2020, subsequent to this date, COVID-19 has had a major impact on the Company and on the economy as a whole.

The measures taken by the Government of Zambia to combat the spread of the pandemic and in particular the closure of bars and nightclubs, had a beneficial effect on demand for the Company's main product because of its intrinsic properties, including a long shelf life.

In response to the increase in demand for its products, the Company is in the process of accelerating its equipment care and maintenance program, and to date, good progress has been achieved. The COVID-19 pandemic has also significantly slowed down the movement of raw materials and other goods and services particularly across national borders.

The Board cannot reasonably estimate the duration and severity of the COVID-19 pandemic at this stage as it is complex and rapidly evolving. Management have, however, implemented mitigatory measures that will ensure that the Company remains in operation for the foreseeable future.

Principal Shareholders

The 10 largest shareholding in the company and the respective number of shares held at 31 March 2020 is as follows;

Rank	Name of Shareholder	%	Number of Shares
1	CHIBUKU BREWERIES LIMITED	70.00	44,100,000
2	STANDARD CHARTERED ZAMBIA SECURITIES SERVICES NOMINEES LTD	8.68	5,471,317
3	PUBLIC SERVICE PENSIONS FUND BOARD	8.17	5,147,500
4	SATURNIA REGNA PENSION TRUST FUND	2.52	1,588,566
5	NATIONAL PENSION SCHEME AUTHORITY	2.22	1,400,000
6	WORKERS' COMPENSATION FUND CONTROL BOARD	1.24	780,666
7	LOCAL AUTHORITY SUPERANNUATION	0.60	378,620
8	KCM PENSION TRUST SCHEME	0.51	322,521
9	BARCLAYS BANK STAFF PENSION TRUST FUND	0.44	275,446
10	MADISON PENSION TRUST FUND	0.42	266,628
	Total Shares Selected	**94.81**	**59,731,264**
	Not Selected	**5.19**	**3,268,736**
	Issued Share Capital	**100.00**	**63,000,000**

Distribution of Shareholders

Rank	Range	Number of Shareholders	%	Number of Shares
1	Less than 500 Shares	510	53.01	153,139
2	501 - 5,000	360	37.42	662,701
3	5,001 - 10,000	27	2.81	201,631
4	10,001 - 100,000	47	4.89	1,406,117
5	100,001 - 1,000,000	12	1.25	4,211,304
6	Over 1,000,000	6	0.62	56,365,108
		962	**100.00**	**63,000,000**

CHAIRMAN
Richard Mazombwe*

DIRECTORS
Martin Rutendo Makomva**
Vongai Chiwaridzo**
Pearson Gowero**
Etherton Mpisaunga**
Faith Mukutu*
Ackim Chalwe*
Natasha Chiumya*

COMPANY SECRETARY
Vongai Chiwaridzo

REGISTERED OFFICE
Plot 1609/10
Sheki Sheki Road
P O Box 35135
Lusaka, Zambia

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

BANKERS
Absa Bank Zambia Plc
Citibank Zambia Limited
Stanbic Bank Zambia Limited
Standard Chartered Bank Plc
Zambia National Commercial Bank

AUDITOR
Deloitte & Touche
Abacus Square, Stand 2374/B
Thabo Mbeki Rd
Lusaka

REGISTRARS
Corpserve Transfer Agents Ltd
6 Mwaleshi Road,
Olympia Park
Lusaka

** Zambian ** Zimbabwean*

Profile

Incorporated : 1968
Listed : 1998

Sector
Consumer goods (Beverage Industry)

Nature of business
Production and distribution of Traditional African Beer (TAB) and pasteurised (TAB)

Postal address
P O Box 35135, Lusaka, Zambia

Registered address
Plot 1609/10 Sheki Sheki Road
P O Box 35135 Lusaka, Zambia
Tel: +260 962 249 210

Auditor
Deloitte & Touche

Website
www.delta.co.zw

BBP
Business and budgeting process.

Beia
Before exceptional items and amortisation of acquisition related intangible assets.

Cash conversion ratio
Free operating cash flow/Net profit (beia) before deduction of non-controlling interests.

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Earnings per share
Basic
Net profit divided by the weighted average number of shares – basic – during the year.

Diluted
Net profit divided by the weighted average number of shares – diluted – during the year.

EBIT
Earnings before interest and taxes and net finance expenses.

EBITDA
Earnings before interest and taxes and net finance expenses before depreciation and amortisation.

Effective tax rate
Income tax expense expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures and impairments thereof (net of income tax).

Eia
Exceptional items and amortisation of acquisition-related intangible assets.

Fixed costs
Fixed costs include personnel costs, depreciation and amortisation, repair and maintenance costs, energy and water, and other fixed costs. Exceptional items are excluded from these costs.

Free operating cash flow
This represents the total of cash flow from operating activities, and cash flow from operational investing activities.

Innovation Rate
The Innovation Rate is calculated as revenues generated from innovations launched / introduced in the past twelve quarters divided by revenue.

ISO
International Standards Organisation.

MICS
Minimum Internal Controls Standards.

Net debt
Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.

Net debt/EBITDA (beia) ratio
The ratio is based on a twelve month rolling calculation for EBITDA (beia).

Net profit
Profit after deduction of non-controlling interests (profit attributable to equity holders of the Company).

Organic growth
Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items, amortisation of acquisition-related intangible assets.

Organic volume growth
Increase in volume, excluding the effect of the first time consolidation of acquisitions.

Operating profit
Results from operating activities.

Profit
Total profit of the Company before deduction of non-controlling interests.

®
All brand names mentioned in this report, including those brand names not marked by an ®, represent registered trademarks and are legally protected.

Revenue
Net realised sales proceeds in Zambian Kwacha.

TSC
Target Setting and Cascading.

Top-line growth
Growth in net revenue.

SOX
Sarbanes-Oxley Act of 2002. An act passed by U.S. Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations. The SOX Act mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud.

Volume
100 per cent of beer volume produced and sold.

Weighted average number of shares Basic
Weighted average number of issued shares including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year.

Diluted
Weighted average number of issued shares including the weighted average of outstanding ASDI.

ZBB
Zero-based Budgeting. A method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs.


5★STAR
The Highest Quality
The Finest Ingredients
Rich and Satisfying
Traditional African Recipe
Made for Sharing
Shake your Chibuku, share it with friends and taste the goodness.
1 LITRE
TRADITIONAL BEER

NATIONAL BREWERIES PLC

National Breweries Plc
Plot 1609/10 Sheki Sheki Road
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