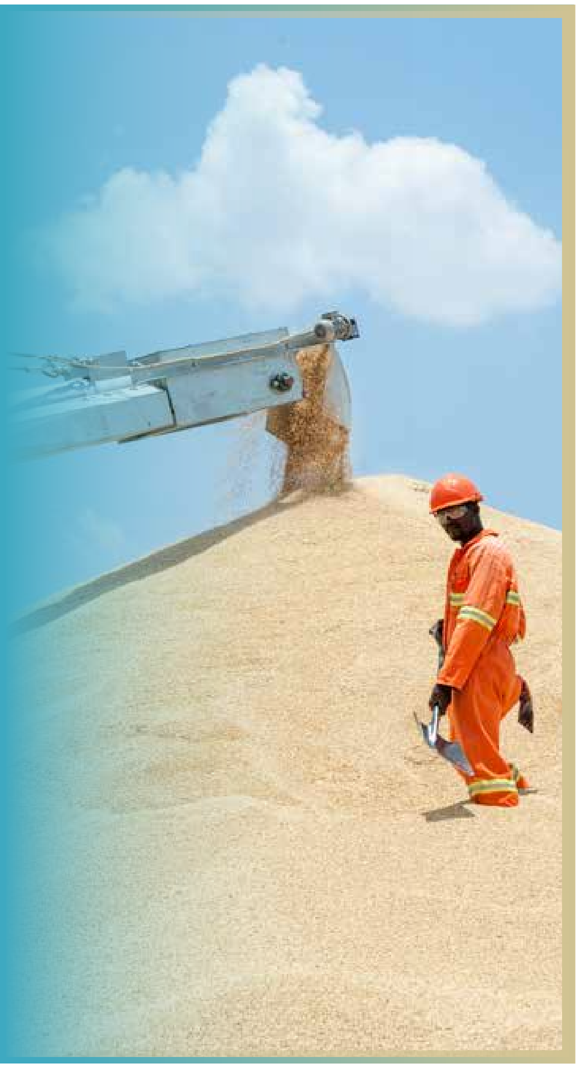
Zambian Breweries Plc

The Company was established in Zambia in 1968 and its product range has grown to include clear beers such as Mosi Lager, Castle, Carling Black Label and Eagle beer as well as the Coca-Cola, Sprite, Fanta and Schweppes brands.

Zambian Breweries Plc became part of Anheuser-Busch InBev (AB InBev), the largest brewer in the world, with more than 400 beer brands and some 200,000 employees in over 50 countries and also one of the world's largest bottlers of soft drinks, following a merger with SABMiller Plc in October, 2016.

Contents



This is the Annual Report of Zambian Breweries Plc for the year ended 31 March 2017. 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 Zambian Breweries Plc does not undertake to update any such information. The Annual Report is made available to all shareholders on the Lusaka Stock Exchange website (www.luse.co.zm).

This report includes names of Zambian Breweries Plc products, which constitute trademarks or trade names which Zambian Breweries Plc owns or which others own and license to Zambian Breweries Plc for use. In this report, the term 'Company' refers to Zambian Breweries Plc, except as the context otherwise requires.

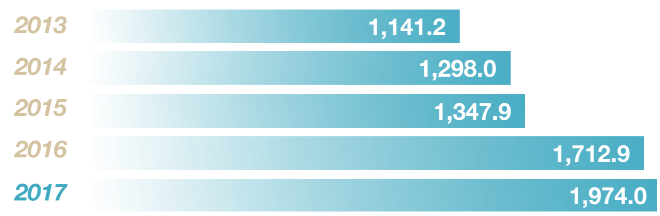
Zambian Breweries Plc's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). References to IFRS hereafter should be construed as references to IFRS as issued by the IASB. Unless otherwise indicated, all financial information contained in this document has been prepared in accordance with IFRS.

(In Kwacha thousands)	2013	2014	2015	2016	2017
***Company turnover** (Incl. excise duty)*	1,443,920	1,646,162	1,777,811	2,181,228	**2,494,328**
***Company revenue** (Excl. excise duty)*	1,141,158	1,298,033	1,347,869	1,712,869	**1,974,021**
Operating profit	231,032	296,624	249,842	317,812	**360,957**
Profit before income tax	156,785	251,015	186,050	278,181	**185,806**
Profit for the year	105,173	175,478	131,837	194,150	**128,168**
Total assets	1,580,094	1,854,614	2,091,312	2,462,581	**2,674,626**
Current liabilities	349,300	415,378	746,963	795,774	**1,077,020**
Shareholders' funds	764,797	947,348	1,007,509	1,112,129	**1,209,334**

Company revenue *(in Kwacha millions)*

K1,974 million

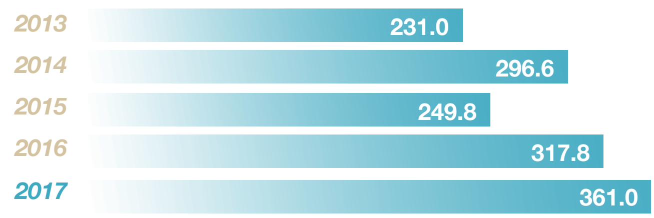
15% *increased*



Operating profit *(in Kwacha millions)*

K361 million

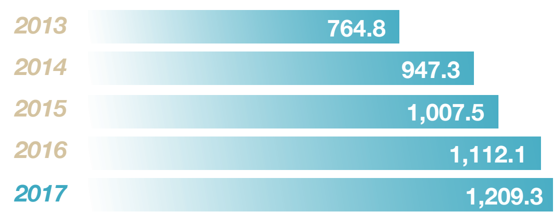
14% *increased*



Shareholders' funds *(in Kwacha millions)*

K1,209 million

9% *increased*



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Business Review

Spurred by a favourable excise rate of 10 percent on cassava-based lager, Zambian Breweries has seized the opportunity to encourage more small-scale farmers to cultivate cassava, helping it to grow production of its affordable Eagle Lager, and prompting more consumers to switch from illicit, unregulated alcohol to a safe, lower alcohol content beer.

01

Eagle Lager is a clear beer that is made from locally grown sorghum and cassava. Not only does the product generate revenue for the company, it also creates opportunities for small-scale farmers.

02

Cassava is a woody shrub with an edible root that looks like a large sweet potato. It is widely grown in many parts of Zambia and produced largely by small-scale farmers. The root is commonly referred to as Tuté in the local dialect.

03

In order to further boost the cassava farming, Zambian Breweries has distributed cuttings to farmers in Mansa to help expand their farms and also grow improved, higher yielding varieties of the crop.

04

To increase impact, Zambian Breweries has invested in technology, innovation, and management solutions in the form of a technique known as simultaneous saccharification and fermentation (SSF).

05

This technique substantially increases the amount of cassava that is used in the production of Eagle Lager while reducing its sugar content. Previously Eagle Lager was comprised of 60 percent sorghum, 30 percent sucrose, and 10 percent cassava. However, with the introduction of SSF, the cassava content of the new Eagle Lager has increased from 10 % and the Company is currently working towards a 50/50 balance to ensure the empowerment of both cassava and sorghum farmers.


DAY OF
HUNDER
FESTIVAL


FLYING FISH

> *"Amongst many projects, I am delighted to note that the business progressed to kick-start the cassava growing project in Mansa, during the second half of the financial year. About 4,000 small scale farmers were engaged in growing cassava for the production of eagle lager brand."*

Introduction

The year under review has been a busy and somewhat turbulent year on many fronts. From an economic perspective the Kwacha started the year at weaker levels against the United States dollar, and stabilised to around ZMW10 to the USD by the close the year. We saw high inflation rates in the year with some relief in the final two quarters. On the political front, the Country held tripartite elections in August, 2016. As liquidity tightened from September onwards, the business experienced the sharpest decline in volumes that we have seen in many years.

Two months after the elections, SABMiller Plc was merged with the global beverage manufacturing giant AB InBev, in October, 2016. This brought about a milestone change in corporate structure and culture at Zambian Breweries Plc that caused uncertainity and unease in the business. Under such an environment of increased turbulence, one would have expected a negative impact on trading performance for the business.

I am delighted to report that the Board, Management and the employees remained focused and resolute in order to deliver volumes and profitability for the year. I commend the Management and the members of staff for a job well done.

Net Revenue during the financial year grew by a healthy 15 % in the year. The Company did report a decline in profit before tax for the year, but that was on the back of several one off exceptional costs recorded following the merger. The Company reported an operational profit growth of 14% on prior year before these exceptionals. This was a strong performance given the tough economic context and levels of uncertainty in the year.

Market Overview

The economic shocks experienced in the local economy for most of 2015 and part of 2016, mainly caused by power shortages, low copper prices, volatile exchange rates and the 2016 general elections, caused significant uncertainties which thankfully have now started to abate.

The Zambian economy is projected to grow just under 4.2 % this year, with developments in the global copper market likely to make a significant impact.

A reasonable rainy season in 2016/17 contributed to a more consistent power supply to the mines, while copper prices remained firmly above US$5,500 per metric tonne after dipping below US$4,500 in June 2016. Commentators expect the price to hit US$6,500 later in 2017, buoyed by growth in refined copper consumption in the world's largest consumer of copper market, China. While tightened liquidity in the market severely impacted our consumers' disposable income in the last two quarters, I am pleased to report that the worst seems to be over and that the business started to return to positive volume growth in the last month of the year.

Against this backdrop we have seen cautious optimism around growth in Zambian economic fundamentals, with higher, more stable copper prices, strengthening Kwacha, more stable inflation and interest rates coming down. The potential IMF program announced by the Government once finalised will further strengthen the economic fundamentals.

Strategic Review

With the prospect of a brighter economic outlook, Zambian Breweries Plc has focused its strategy on investment, innovation and managing costs. The continued use of local raw materials in our beer manufacturing processes is critical to its long term prospects.

In October 2016, AB InBev was notified by The Coca-Cola Company (TCCC) of its intention to acquire AB InBev's stake in Coca-Cola Beverages Africa (CCBA). The soft drinks business of Zambian Breweries Plc does not form part of CCBA and so is not part of the proposed acquisition. However, TCCC subsequently notified AB InBev and Zambian Breweries Plc that it intends to terminate its bottler's agreements with Zambian Breweries Plc. Further to those announcements, TCCC and AB InBev have reached agreement in principle for TCCC to acquire the non-alcoholic ready to drink business of the Company, subject to receipt of any requisite regulatory approvals and material consents (Transaction). Shareholders are further advised that TCCC and AB InBev have agreed that the expiration date of each relevant Bottler's Agreement and related agreements is deemed to be extended until the earlier of (i) the execution of transaction documents governing the Transaction, and (ii) September 30, 2017.

The details of this separation are currently under consideration and we expect to be able to update the market in the second quarter of the upcoming financial year. However, in the event that the bottling agreements are definitively terminated, Zambian Breweries Plc will continue to invest its resources in a more focused and simpler business to grow its clear beer portfolio in the future.

We have ensured that we delivered on various pledges made to Government following the reduction in excise tax on clear beer from 60% to 40% in January, 2016.

The drop in tax enabled us to deliver on one of these major commitments to complete the investment in our new US$33 million Maltings Plant at the Lusaka South Multi-Facility Economic Zone (MFEZ), which was officially commissioned by the President of Zambia, His Excellency, Mr. Edgar Chagwa Lungu, on March 31, 2017.

During his address to Parliament a few weeks earlier, the President had highlighted his concern about alcohol abuse, and this has been an issue that we have taken up with considerable vigour during the year in order to focus on the importance of safe driving and to campaign for enforcement of the laws banning cheap, illicit high-alcohol content spirits known as *tujilijili* and *junta*.

In addition, as part of our commitments we invested in local production capacity for Castle Lite which will play an important part of our plans for next year. In the period, we confirmed our other major commitment to Government to invest in further capacity in Ndola. A US$30 million upgrade of the Ndola plant is underway with the first step being a new 1 million hectolitre (HL) packaging line due for commissioning in November 2017.

Our investment plans are a reflection of our confidence in the long term growth or our core Mosi, Castle and Castle Lite brands supported by optimistic growth prospects for our affordable Eagle brand that has seen exceptional growth in the financial year. Key to our long term growth is stability in the tax regimes and currency in the future and we are pleased that Government continues to engage and support us in providing that stability.

Sustainable Development

Following the merger of SABMiller Plc with AB InBev, in the second half of the financial year, Zambian Breweries Plc continued to consolidate the five sustainable imperatives under the Prosper strategy into three pillars under the new Better World strategy.

The Better World strategy is the Company's route towards driving its sustainable development agenda for the business, and will in no way deviate from the earlier corporate social investments programs undertaken by the Company under SABMiller Plc. If anything, these will now be enhanced for the betterment of our communities.

Amongst many projects, I am delighted to note that the business progressed to kick-start its cassava growing project in Mansa during the second half of the financial year. About 4,000 small scale farmers were engaged in growing cassava for the production of Eagle Lager brand.

In a Country where 90% of our people are marginalised and with an estimated 15% of youth unemployment, it is encouraging to note that the business is committed to positively changing the livelihoods of our people in various communities across the nation.

Future Prospects

We remain optimistic about the future. The strengthening of the copper prices in the past few months and relative stability in the mining industry could improve the disposable income in the short to medium term. With borrowing costs coming down slowly and currency stability, we expect to see a gradual improvement in our consumers' disposable income.

We have an exciting portfolio of brands and packs to cater for a wider audience. We will continue to respond to our customers' demands for affordability, choice and new products. In addition, we will embark on a journey to provide lower alcohol by volume convert options to our consumers, who continue to want to enjoy beer responsibly.

Overall Zambian Breweries Plc is now well placed to benefit from the opportunities brought about by economic recovery, particularly given our investment and innovation during the year.

Chairman

> **"The prospect of a stabilised economy with growth on the horizon gives us optimism that the market will grow in the near future."**

Introduction

Challenging market conditions characterised the 2016/17 financial year, and this spurred Zambian Breweries Plc to redouble its efforts in innovating and improving efficiencies across the business. We experienced good growth in the first two quarters but the tightening of liquidity in quarter three and four placed real pressure on our consumers and sales declined sharply. As a result we ended the year 6% down on last year from a volume perspective.

Our resilience in such conditions in the past and our wider portfolio including economy brands gave us the confidence in the Company's ability to weather difficult economic times and to excel in a time of economic recovery.

At a corporate level the merger of SABMiller and AB InBev resulted in a new approach to business processes and a change in corporate culture. While this caused some uncertainty in the year, the business is now settling into the new ways of working.

Performance

Despite the sharp decline in the final two quarters, clear beer sales ended 2% up on prior year. While we experienced a sharp decline in our mainstream brands Mosi and Castle in the final quarter, we saw good growth of our premium Castle Lite and robust growth of our economy brand, Eagle.

Sales of Coca-Cola products ended 17% down on prior year, however, as affordability became a major issue for our customers who were seen to trade down to cheaper value brands. In addition, the business suffered returnable glass shortages as smugglers took advantage of higher pricing in Zimbabwe and smuggled our product over the border for sale.

Notwithstanding these challenges, Net Producers Revenue increased 15% percent on prior year due to good volume growth of Castle Lite and some upward price adjustments earlier in the year.

Central to our cost reduction strategy in the year was a project named Formula 1 that targeted efficiencies across our distribution and manufacturing chain, a headcount freeze and significant cuts in overtime and fixed costs.

Against this difficult economic background, a strategic decision was made to change our distribution model to improve cost efficiencies by reducing our distribution footprint and scale down distribution centres which were cost intensive to deliver value for shareholders. This has, in turn, created local empowerment opportunities for small businesses.

The increase in variable production costs in the year was mainly due to high inflation rates driving most raw material and commodity prices upwards.

Unfortunately, while significant exchange gains were recorded in the same period in the previous year, the appreciation of the Kwacha in the first quarter led to losses of K52 million this year on the remaining forward contracts held by the business. In addition, we had a number of exceptional one-off costs that were booked in the final quarter, amounting to K74 million. As a result of the volume down-turn, we offered voluntary separation to a number of employees. Further, we had to book a number of exceptional costs as we aligned our accounting policies to those of AB InBev.

This resulted in a reported operating profit 14% above, a strong performance in a difficult year. Profit before tax after the exchange losses, but before exceptional costs, declined by 6% on prior year.

Investment

Production highlights included the commissioning of our US$33 million Malting Plant in the Lusaka South Multi-Facility Economic Zone (MFEZ) by His Excellency, Republican President, Mr. Edgar Chagwa Lungu, in March, 2017.

We also launched a Sequential Saccharification Fermentation (SSF) process in Ndola that enabled us to increase the cassava content of our affordable Eagle Lager and reduced costs, supporting our price-conscious strategy with this brand.

We also saw the successful commissioning of the new carbonated soft drink polythelyne terephthalate (PET) line in Ndola and received approval for a further investment of US$30 million in a new Krones beer packaging line for Ndola, which is scheduled for commissioning in November, 2017. This is necessary as we will start to reach our packaging capacity limits in 2017.

Management

The change in ownership at group level saw shifts in management structure and the departure of our Marketing Director, Thomas Kamphuis who was promoted to the Marketing Director for the East Africa region. Head of Procurement, Colin Ogilvy was transferred at Group level as the regional Head of Procurement. The process of changing structures to align with the new AB InBev organisational structure is well underway but will continue into the first half of 2017.

Outlook

The prospect of a stabilised economy with growth on the horizon gives us optimism that the market will grow in the near future. We used the leaner times of 2016 to invest in new technology and processes that will enable us to be well placed to capitalise on the economic turnaround, supported by the new group structure under AB InBev.

Our dream is to continue investing and growing; being super-efficient; creating a work environment that all employees love to work in; and finally to make a real difference to the communities in which we operate.

A. Degroot

Country Director

2

Corporate Governance and Sustainable Development

Board of Directors

VALENTINE CHITALU

Valentine (52) is an entrepreneur in Zambia and Southern Africa specializing in private equity and local private sector development. Until December 2003, Valentine worked for CDC/Actis in London and Lusaka specializing in deals origination throughout Southern Africa and portfolio management in Zambia and Malawi. Valentine was previously Chief Executive Officer at the Zambia Privatisation Agency where he was responsible for the divestiture of over 240 enterprises. He also worked for KPMG Peat Marwick in the United Kingdom in the early part of his career. Valentine holds several board positions in Zambia, South Africa and the United Kingdom and is Chairman of several corporate organizations. Valentine is a qualified Accountant

GEORGE SOKOTA

George (69) is a professional accountant by background and training. He spent most of his professional career with Deloitte & Touche, where he was Senior Partner for many years. He is a leading businessman with many business interests in various business sectors. He also sits on a number of boards of notable companies several of which he chairs.

WAYNE McCAULEY

Wayne (53) was appointed to the Board in October, 2014.He began his career in Production Planning with Unilever in Durban in 1984. He joined SABMiller Plc in 1988 as a Sales Representative in KwaZulu-Natal, progressing through various roles, including General Manager roles in the Central and Isando Regions, before moving to Ohio, USA as General Manager in the Mid-Central Market. He returned to South Africa in late 2006 as Sales and Distribution Director. He holds a Bachelor of Commerce Degree and a Master of Business Leadership Degree from UNISA. Wayne resigned from the Board on 31st December, 2016.

BRIAN HIRSCH

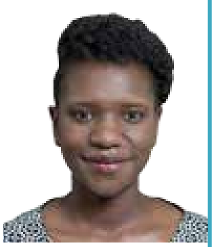
Brian (41) was appointed to the Board in June, 2014. He began his career with KPMG in Johannesburg in 1994 and qualified as a Chartered Accountant (SA) in 1999. Having joined SABMiller Plc in 2000 as a Management Accountant, he transferred to London in 2002 and later became Project Manager. From 2005 he has held various roles at the Africa Head Office: Head of the Sarbanes Oxley Project, Group Reporting Manager and Senior Manager Financial Reporting and Analysis. In 2012 he was appointed Finance Director of Kgalagadi Breweries in Botswana and is now at the Africa Head Office in the role of Head of Strategy and Operations Finance.

LUCIA ADELE SWARTZ

Lucia (59) was appointed to the Board in January 2016. She joined SABMiller Africa (Pty) Ltd in February 2015 as Regional Human Resources Director. She has over 30 years' experience in the field of Human Resource Management, having started her career with Reckitt and Colman. She joined BP Southern Africa (Pty) Ltd in 1988 and held various posts in the Seagram Spirits and Wine Group, including Human Resources Director: Global Functions (New York). She was appointed as Group Head Human Resources at Sappi Ltd in May 2002. She has International experience in both corporate and start–up operations and a proven track record of successfully building and aligning people capabilities to the needs of the business. She holds a BA in Psychology and Geography (University of the Western Cape), a Diploma in Human Resources Management (Peninsula Technicon) and completed the Advanced Management Program at Henley Business School (UK). She has also held various board appointments.

ANNABELLE DEGROOT

Annabelle (44) was appointed as Managing Director in December 2014, having formerly served as the Finance Director of National Breweries Plc from February 2012. She has over 15 years' experience in audit and finance functions in the UK and Zambia. She holds a BA MA (Cantab) in Economics and is a qualified ACA with the Institute of Chartered Accountants, England & Wales (ICAEW). She is also a Fellow of ZICA.



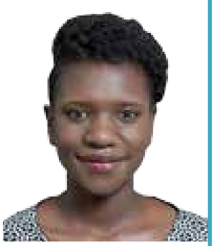
FAITH MUKUTU

Faith (36) was appointed as Finance Director and took up a seat on the Board in November 2015 having moved from Maluti Mountain Brewery (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 has over 13 years' experience in Audit and Finance functions and started her career at PricewaterhouseCoopers. Faith is a chartered accountant and is a Fellow of ACCA.

Executive Committee

ANNABELLE DEGROOT

COUNTRY DIRECTOR | Annabelle (44) was appointed as Managing Director in December 2014, having formerly served as the Finance Director of National Breweries Plc from February 2012. She has over 15 years' experience in audit and finance functions in the UK and Zambia. She holds a BA MA (Cantab) in Economics and is a qualified ACA with the Institute of Chartered Accountants, England & Wales (ICAEW). She is also a Fellow of ZICA.



FAITH MUKUTU

FINANCE DIRECTOR | Faith (36) was appointed as Finance Director and took up a seat on the Board in November 2015 having moved from Maluti Mountain Brewery (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 has over 13 years' experience in Audit and Finance functions and started her career at PricewaterhouseCoopers. Faith is a chartered accountant and is a Fellow of ACCA.

FRANZ SCHEPPING

TECHNICAL DIRECTOR | Franz (42) was appointed Technical and Supply Chain Director for Zambian Breweries Plc in December 2011 and is responsible for the integrated end-to-end supply chain function. He is a brewer by trade and started his career with Namibia Breweries where he worked as first Brewmaster. Before joining SABMiller he was the Brewery Director at Carlsberg in Turkey where he was managing a 1.8 million hl brewery and its affiliated malting plant, with an annual capacity of 35.000 tons. He holds a Master's Degree from the Technical University in Munich in Brewing and Beverage Technology.

NYANGU KAYAMBA

HUMAN RESOURCES DIRECTOR | Nyangu (49) joined Zambian Breweries Plc in 2004 as Executive Trainee - Human Resources. She was appointed Human Resources Manager South in 2005 and took up the position of Human Resources Director in 2007. Prior to this, she had worked for Barclays Bank, the Inter African Network for Human Rights and Development and KEPA Zambia. She holds a Bachelor of Arts Degree and a Post Graduate Diploma in Financial Management and is a member of the Zambia Institute of Human Resources Management and the Institute of Directors. Nyangu resigned from the Company on 1st July, 2016.

DARRYL HASKIS

SALES AND DISTRIBUTION DIRECTOR | Darryl (51) was appointed Sales and Distribution Director on 1st October, 2014. He has 25 years experience in Sales, Operations and Trade Marketing of which 23 years have been spent in Sales and Distribution in SABMiller Plc in various positions, including Sales Representative, Distribution Manager, various Depot Management roles, Regional Trade Marketing Management and most recently a District Manager role looking after Sales and Distribution.

THOMAS KAMPHUIS

MARKETING DIRECTOR | Thomas, (40) was appointed to the Executive Committee in April, 2015. He joined SABMiller Africa (Pty) Ltd in January 2013 as Regional Manager Global Brands. He has over 14 years experience in the field of FMCG Marketing. He started his career with Mars Inc. He joined SABMiller Plc in February, 2006 and holds an MSc Degree from Wageningen University in the Netherlands. Thomas resigned on 31st January, 2017.

EZEKIEL SEKELE

CORPORATE AFFAIRS DIRECTOR | Ezekiel (46) was appointed in April 2015 as Corporate Affairs Director, having moved from Cervejas de Mocambique (SABMiller Plc subsidiary) where he served as Decision Support Manager and later Commercial Finance Manager from 2010 to 2014. He originally joined Zambian Breweries Plc in January 2004 as Group Chief Accountant. He has over 15 years' experience in the field of Finance, Corporate Governance and Planning. He started his career with Deloitte & Touche and later worked for the Commonwealth Development Corporation at the Mpongwe Development Company. He is a Board Member of the Zambia Chamber of Commerce and Industry and a member of the Institute of Directors of Zambia. He is a Fellow of both ACCA and ZICA, Associate of the Institute of Chartered Secretaries and Administrators of the United Kingdom (ICSA UK), holds postgraduate Diplomas in Corporate Governance (DipCG), International Financial Reporting Standards and a Masters Degree in Business Administration.

THECLA CHILOKOTA

COUNTRY PEOPLE LEAD | Thecla Chilokota (48) was appointed as Country People Lead on 1st March, 2017. She has over 20 years' experience in both the Technical and Human Resource fields. She began her career with the Zambia Bureau of Standards as a Standards Officer for 5 years before taking up positions at Zambia Bottlers Limited in the Manufacturing and Quality Department as Quality Systems Coordinator and then Quality Assurance Manager. She transferred to the Zambian Breweries Plc Lusaka Plant in 2004 as Quality Systems Manager and then Quality Assurance Manager in 2006. In 2010 she took up the role of Human Resources Manager – Technical and later Human Resources Business Partner, before her appointment as acting Human Resource Director on 1st July, 2016. She holds a BSc in Biology and Chemistry from the University of Zambia and is a member of the Zambia Institute of Human Resources Management.

Corporate Governance Statement

Deborah Bwalya
Company Secretary

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

Corporate Governance Statement

The Corporate Governance framework for Zambian Breweries Plc is underpinned by the application of best practices and processes through which the business is directed and controlled. This framework guides the balancing of the various stakeholder's interests including those of shareholders, management, employees, customers, suppliers, financiers, Government and communities.

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 and whilst the Finance function tracked and reported the financial indicators on profitability and working capital management.

Using the Sustainable Assessment Matrix, (SAM), the Corporate Affairs function undertook to coordinate and track the oversight on key indicators on water usage, carbon emissions control, empowerment, local sourcing and human rights. 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:

SETTING THE DIRECTION – THE BOARD

Tone at the Top

The Board of Directors and senior management take responsibility for setting the tone at the top, which ensures that legal compliance and sound corporate governance architecture are priorities for the Company. They also take responsibility for ensuring that these values are rolled out to our employees and are embedded in our strategies, systems, policies and practices.

The Board sanctions the Code of Ethics and tracks its compliance. The Board is also responsible for approving the Company's's strategies and their alignment with the approved budget, and implementation through the existing Human Resources policies, Key Performance Indicators (KPIs) for all functional heads and a robust Performance Management System.

The Board of Directors sat three times during the past financial year to review strategic priorities and the control environment, and was assisted by the Audit Committee. Both the Board and Audit Committee comprise non-executive members (including independent non-executives), with a broad balance of skills, knowledge of the business and the environment. The Audit Committee reviews and deliberates comprehensive reports from the Internal Audit function and the Statutory Auditor and makes recommendations to the Board. Nominations to the Board are approved by the full Board of Directors, taking into consideration the skills balance on the Board.

The Chairman of the Board is an independent non-executive Director 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 Auditors and their remuneration is approved by the Board and the shareholders in the Annual General Meeting.

Delegation of Authority

The separation of responsibilities between the Board and the Country Director are clearly set out in a formal Delegation of Authority document approved by the Board, ensuring no single individual has unfettered decision-making powers.

Corporate acts, strategic planning, capital expenditure and annual budget approval, asset disposals, and borrowing powers are reserved as the mandate of the Board.

The Chart of Authority also covers in detail the various levels of approval for the following: credit policies, write off of current assets and book value adjustments, sales and operating revenue, approval of operating expenses, lease agreements and contracts, corporate social investments, recruitments, payroll, collective labour agreements and training, legal, statutory and enterprise resource planning, insurance claims, donations, code of conduct and communications policy.

Board Attendance and Meetings

The Board of Directors is composed of the following members:

Board Composition	
Directors	
Valentine Chitalu	Independent Non-Executive
George Sokota	Independent Non-Executive
Wayne McCauley*	Non-Executive
Brian Hirsch**	Non-Executive
Lucia Swartz**	Non-Executive
Annabelle Degroot	Executive
Sean Smuts***	Non-Executive Director
Pedro Cruz***	Non-Executive Director

* Resigned 31st December, 2016 **Resigned 12th May, 2017 ***Appointed 12th May, 2017

Board Meetings

Member	27th May 2016	10th November 2016	15th February 2017
Valentine Chitalu	√	√	√
George Sokota	√	√	√
Wayne McCauley	√	√	
Brian Hirsch	√	√	√
Lucia Swartz	√	√	√
Annabelle Degroot	√	√	√
Faith Mukutu	√	√	√

Audit Committee

The Audit Committee sits to review, make recommendations and provides assurance to the Board as to the state of the Company's's internal control environment and financial management adequacy. Some of the key matters reviewed include, but are not limited to: Financial Statements, Internal Audit Report, Risk Register, Delegation of Authority and Management Representation Letters.

Audit Committee Composition	
Members	
George Sokota	Independent Non-Executive
Brian Hirsch	Non-Executive
Luiza Moreira	Non-Executive

Audit Committee Meetings

Member	26th May 2016	9th November 2016	14th February 2017
George Sokota (Chairman)	√	√	√
Brian Hirsch	√	√	√
Luiza Moreira		√	

Management and Control

Executive Committee	
Member	**Function**
Annabelle Degroot	Country Director
Faith Mukutu	Finance Director
Darryl Haskis	Sales and Distribution Director
Ezekiel Sekele	Corporate Affairs Director
Nyangu Kayamba*	Human Resources Director
Techla Chilokota	Country People Lead
Thomas Kamphuis**	Marketing Director

* Resigned 1st July, 2016 ** Resigned on 31st January, 2017

The role of the Executive Committee is to implement strategy and provide operational oversight. The Committee meets monthly to review the KPIs as set out in the KPI dashboard.

The meetings place focus on the following:

Marketing:
- *Market and volume growth indicators*

Sales and Distribution:
- *Consumer and Customer performance indicators*

People:
- *High performance culture*
- *Leadership development*

Operations:
- *Improving of work environment*
- *Productivity*

Sustainable development:
- *Alcohol responsibility*
- *Stakeholder engagement*

Internal Controls

Each Departmental Head sits on the Executive Committee and is accountable to the Board to ensure adequate controls are in place for the implementation of their respective functions. Committee members report to the Audit Committee on a regular basis regarding compliance of operational risks and implementation of control measures.

An independent whistle-blowing mechanism is in place and provides our stakeholders with an objective and confidential mode of communication to report any governance concerns.

Risk Assessment

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. Function Heads are responsible for developing the Risk Register which is regularly updated and reviewed by the Executive Committee before submission for deliberation by the Audit Committee. The Risk Register addresses the top ten risks and detailed management plans for mitigation are reviewed by the Audit Committee of the Board at each meeting.

During the period under review the Company is in material compliance of disclosure requirements under the Lusaka Stock Exchange Code of Governance Code and continues to strive to improve its control environment and governance standards.

This financial year has seen an indirect change of control as AB InBev finalised a merger with SABMiller Plc. As a result, we have already experienced the entrenchment of a new governance culture, focused on 10 principles, including:

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

This has entailed the roll out of new policies on Anti-Bribery, Code of Ethics, Human Rights and Anti-Money Laundering and a more stringent compliance programme. The Code of Business Conduct covers the following areas:

- *Honest and Ethical Conduct*
- *Environment, Health and Safety*
- *Human Rights*
- *Responsible Drinking*
- *Compliance with Competition and Anti-Trust Laws*
- *Conflicts of Interest*
- *Compliance with Anti-Corruption Laws*
- *Gifts and Hospitality*
- *Political Contributions, Mandates*
- *Books, Records and Controls*
- *Confidentiality*
- *E-mails, Internet and Information Systems*
- *Social Media*
- *Use of Company Assets*
- *Code of Responsible Communication*
- *External Communication*
- *Code of Dealing*

In addition, during the course of the year we have rolled out further training on competition law compliance and certificates were presented by the Director Legal and Corporate Affairs from the Competition and Consumer Protection Commission at our Sales Academy for Sales Managers and Representatives.

Accolades and Awards

During the year the Company received the following accolades and awards:

- *The Zambia Chamber of Commerce and Industry 2016 award – Social Enterprise of the Year*
- *The SADC Quality Certificate for the Best Regional Brand Mosi*
- *The SABMiller Plc. award for the Most Improved Ndola Brewery for three consecutive years*

Occupational Health, Safety and Environment

The Company also ensures that it maintains independent certification from the Zambia Bureau of Standards (ZABS) for its manufacturing operations, and holds international accreditation as follows:

- *ISO 9001 2008 Quality Management System*
- *ISO 14001 2004 Environmental Management System*
- *ISO 22000 2005 Food Safety Management System*
- *FSSC 22000 Food Safety Management System*
- *OHSAS 18001 2007 Occupation, Health and Safety Management System*
- *NOSA 5 Star Safety and Environment Grading System*
- *KORE and EOSH Coca Cola Company Management System*

Communicating with our Stakeholders

Investors, consumers, Government bodies, agencies and regulators, civil society, and the communities in which we operate have been identified as key stakeholders, in addition, to the customers, suppliers and employees who are part of our core business.

Our Corporate Affairs function engages regularly with consumers, the Government, civil society organisations and representatives from the community. We have appointed a Transfer Secretary for the timely disposal of shareholder enquiries. We formalised our collaboration with the Road Traffic and Safety Agency in September, 2016 and the Lusaka Province Liquor Traders' Association through separate Memoranda of Understanding in order to further our Responsible Alcohol Policy to address drunk driving, under-age drinking and compliance with legal opening hours for the sale of alcohol.

Responsible Alcohol Consuption Strategy

Being an alcohol producing Company, we are always committed to upholding the best practices in the production, sale, distribution and marketing of our products. During the year we continued to raise our game in the manner in which we play in the alcohol sector.

Of prime importance was playing a pivotal role in seeing that the alcohol sector in Zambia was regulated. Through this initiative, various engagements were held with the Zambia Association of Manufacturers and saw the creation of an Alcohol Sub-Committee within the institution.

Furthermore, the level of illicit alcohol and weak enforcement in the industry was a concern. The business engaged with various Government Ministries, City Councils and Zambia Revenue Authority. Trade visits to selected outlets were undertaken in Lusaka by a combined team of ZABS, ZRA, City Council officials and the Company.

In order to enhance self-regulation, the Company continued to maintain the Sales, Marketing, and Compliance Committee. The Committee is tasked with ensuring that all Sales and Marketing activities such as brand campaigns, promotions, new launches, print media or digital communication and outdoor advertising are all reviewed by the SMCC team and prior being released to the market. Further, the Committee is headed by an independent chairpersonwho is a medical doctor by profession.

Company Secretary

His Excellency Edgar Chagwa Lungu at the Official opening of the Zambia Breweries Maltings Plant.

Minister of Commerce Trade and Industry Hon. Margaret Mwanakatwe unveils a stone to mark the commissioning of Zambian Breweries' new Castle Lite packaging line with Zambian Breweries Country Director Annabelle Degroot and Director of Corporate Affairs Ezekiel Sekele.

His Excellency Edgar Chagwa Lungu touring the Maltings Plant with Minister of Commerce Trade and Industry Hon. Margaret Mwanakatwe.

Finance Minister Felix Mutati and Mines Minister Christopher Yaluma during a tour of the Zambian Breweries plant in Ndola, accompanied by Country Director Annabelle Degroot, Technical Director Franz Schepping and Corporate Affairs Director Ezekiel Sekele.

Zambian Breweries and RTSA representatives mark their partnership on road safety.

Finance Minister Felix Mutati and Technical Director Franz Schepping during a tour of the Zambian Breweries Plc plant in Ndola.

Managing Sustainable Development

Zambian Breweries is committed to creating employment and empowering individuals in communities in which it operates. This commitment can be seen through the empowering of individuals, youths and women.

Sustainable Development as guided by the United Nations is concerned with the meeting of today's needs without having to impact negatively on the ability of future generations to have a meaningful livelihood.
To this end, our business is concerned with the following:

1. Environmental protection
2. Social responsibility
3. Economic participation

Zambian Breweries Plc is committed to the promotion of Sustainable Development across the business. Following the merger of SABMiller with AB InBev in October 2016, the business has seen the consolidation of its, previously, five Prosper sustainability imperatives into three pillars under AB InBev's Better World strategy.

Striving for a Better World:

Our Better World strategy aligns our environmental, social and alcohol responsibility efforts around three core pillars to make the world a better place:

- A growing world where everyone has the opportunity to improve their livelihoods.
- A cleaner world where natural resources are shared and preserved for the future.
- A healthier world where every experience with beer is a positive one for lives well lived.

Throughout our operations and supply chain, we are aligning our Better World pillars to the UN Sustainable Development Goals (SDGs) that address areas most material to our business and critical to our stakeholders.

We set out below how the most important SDGs for our business are aligned to our Better World strategy.

A GROWING WORLD – POSITIVE IMPACT ON LIVELIHOODS:

Job Creation

Zambian Breweries Plc is committed to creating employment and empowering individuals in the communities in which it operates. This commitment can be seen through the empowering of individuals, youths and women. The Company last year empowered youths and women in Lusaka and Ndola, among other areas.

Due to the high unemployment levels among young people in Zambia, Zambian Breweries Plc launched a Youth Empowerment Programme (YEP) called Kick-Start in November, 2016.

Under the YEP, the Company equipped 32 young people from the Itawa Water Springs area with practical skills in carpentry, bricklaying, computer science and farming.

The Company also donated tools worth K80,000 as start-up capital. In addition, five Aggregators from the recycling project for solid waste management were empowered with land, operating office space and tools. The Company also continued to engage two cooperative women's groups in the Lusaka and Ndola plants for glass sorting, thereby providing livelihood opportunities.

Agriculture

Zambian Breweries Plc has continued its support to the agriculture sector through the buying of agriculture products and empowering small-scale farmers. Last year, the Company through GroAfrica engaged small-scale farmers in Mansa District of Luapula Province to supply it with cassava, which is being used in the production of Eagle Lager.

Zambian Breweries Plc decided to empower cassava farmers in Luapula by buying their crop thereby offering a ready market for the produce. The Company also provided the cassava farmers with improved varieties of cassava cuttings as a way of empowering them. Our plan is to turn Mansa into the "Cassava Capital City" of Zambia. In December 2016, we provided an additional K20,000 in inputs to the small scale farmers.

In addition to the cassava programme, we continue to be among the largest agricultural buyers in the Country, buying over 15,000 tonnes of maize, 10,000 tonnes of barley and 2,000 tonnes of sorghum from local farmers, thereby supporting Government's call towards diversification of the economy.

We pride ourselves in being a long-term investment partner with the Government and the people of Zambia. The key investment projects attained during the course of the year included:

MALTING PLANT – USD $ 33 million investment:

The Malting Plant was commissioned in March, 2017 by His Excellency, the Republican President, Mr. Edgar Chagwa Lungu. We are delighted to have seen the completion and commissioning of the first ever Malting Plant in Zambia.

The Malting Plant has a capacity of 15,000 tonnes of finished malt per year, thus creating surplus over the brewery's current demand capacity of 10,000 tonnes. We continue to look for export markets for the excess malt.

CASTLE LITE – USD $ 2 million investment:

We started the local production of Castle Lite in the last quarter of the financial year after installing new packaging equipment.

EAGLE LAGER – State-of-Art-Technology

In December 2016, the Company commissioned a new Simultaneous Saccharification and Fermentation (SSF) process for Eagle lager in Ndola. The new high-tech process in Ndola increases the amount of cassava in the Company's affordable Eagle Lager. The introduction of the new technology is designed to improve the efficiency of production of the beer brand as well as provide incomes for small-scale farmers in Luapula who supply cassava for the process.

A HEALTHIER WORLD – SOCIAL SUPPORT:

Responsible Alcohol Consumption

Responsible drinking is a key focus area for the Company. We have a continuous programme to highlight the dangers of underage drinking in schools, and we have also joined with the Road Transport and Safety Agency (RTSA) to curtail drunk-driving.

During the year we appointed Dr Mulimansenga Michael Chanda as the first independent chairperson of our Sales and Marketing Compliance Committee, tasked with ensuring that our marketing messages encourage responsible consumption.

The Company realises that the challenge of underage drinking is real. As such we continued to roll out underage drinking programmes among secondary schools in Lusaka. Going forward the program will be rolled out to other areas in the Country.

Road Safety – In October 2016, we signed a Memorandum of Understanding with RTSA, donating ZMW 200,000 to its campaign to help enforce safety measures during the festive period. The monitoring activities were a success and a further contribution was planned for the subsequent year to the same amount.

Partnership – We progressed to build partnerships in the area of alcohol trading, with the Lusaka Province Liquor Traders' Association, Lusaka City Council and the Zambia Association of Manufacturers. We continued to engage with key stakeholders including the Government and the Zambia Revenue Authority around our concerns on the rapid increase in the availability of cheap, unregulated spirits in the market.

A CLEANER WORLD – SOLID WASTE MANAGEMENT:

Community Sanitation

In our bid to help with community sanitation, especially that there are blocked drains in most parts of Lusaka, we stepped up our efforts in rolling out the Manja Pamodzi initiative in new areas in the City. In starting up and maintaining the project. Our long-term view of the recycling project is to allow for the project to have more partners with the ability to independently manage the industry on a commercial basis. Our expectations for now are to kick-start the recycling industry in Zambia.

Zambia Breweries Plc Corporate Affairs Director, Ezekiel Sekele, joins the Manja Pamodzi clean up in Chunga, Lusaka.

As part of launching the project in communities surrounding Lusaka, the District Clean-up Days were initiated in various areas of the City, with over 3,000 Lusaka residents benefiting from the Manja Pamodzi 'Keep Your Community Clean' awareness campaign.

The project is co-funded by Zambian Breweries Plc and the US Government funded project called Millennium Challenge Account. A number of other supporting organizations joined the project during the course of the year including by the French Embassy, Lusaka Water Security Initiative, UNICEF, GIZ and other partners from the private and public sectors, civil society and international organisations.

Water

Water has continued to be a challenge, particularly in Lusaka. The Lusaka plant is operating in an area that is highly water stressed. The Company continued to put in place measures that ensured that more products were produced from less water. During the year, improvements were made in the water management arena. The Lusaka Plant recorded close to 20% improvement in water efficiency. In 2015 about 5 hectolitres (hl) of water was used to produce 1 hl of beer whereas in 2016 usage reduced to 4 hl of water per hl of beer.

We are very proud of the Itawa Water Springs project that protects the water source in Ndola for the Company and the surrounding communities and is seen as best practice within the region and beyond. The project is a fine example of a model for Public-Private-Partnership. The success of the project can be attributed to the team work exhibited by the various participating parties who have joined to support it.

By the end of the financial year, 20 houses were constructed for the families who were re-located from the Water Springs area. Furthermore, some 32 youths were trained in practical and entrepreneurial skills such as brick laying, carpentry, farming and computer science in order to support themselves and their families and move away from the land hosting the Water Springs.

Sports Development

The Company sponsored the annual COPA Coca-Cola grassroots annual school's soccer tournament. All ten provinces were represented and a number of schoolchildren participated in the tournament that was held at the Olympic Youth Development Center in Lusaka. The event was organised in partnership with the Zambia Schools Sports Association and the Ministry of Education.

The Company also renewed its sponsorship of the Football Association of Zambia for one year, under an agreement that expired in March, 2017.

Music Development

The Company is committed to promoting music and culture. This commitment can be seen by the launch of the annual Mosi Day of Thunder music festival in Livingstone in April, 2016 that attracted some 7,500 people. The Company worked with the Ministry of Tourism and Arts and the National Arts Council on the event, which combined free admission to the Victoria Falls for ticket holders.

Energy Consumption

Under the energy efficiency agenda, last year the Company brought in solar kiosks as one way of promoting alternative sources of energy. The solar kiosks allow small-scale retailers in areas with no electricity to retail cold drinks. The E-Hubbs manufactured in Germany were set up in Luangwa, Lusaka Province, Kasamba in Southern Province and Mamvule in Central Province. The solar kiosks are designed to empower small-scale retailers, particularly women, in rural areas where renewable energy holds the key to providing a low-cost alternative source of power to communities.

The Itawa Springs Water Project in Ndola.

SpiderCraft,s winner of the Kickstart Launch.

Castle Lite Solar Kiosk.

Musika Donates Eagle Truck

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 March 2017, which disclose the state of affairs of Zambian Breweries Plc (the "Company").

Principal activities

The principal activities of the Company continues to be the production and distribution of clear beer and soft drinks. In the opinion of the Directors, all the activities of the Company substantially fall within the beverage industry.

Share capital

The authorised share capital of the Company remained unchanged at 600,000,000 ordinary shares of K0.01 each (2016: K0.01), of which 546,000,000 are issued and fully paid.

Results and dividends

	2017	2016
	K'000	K'000
Revenue	1,974,021	1,712,869
Profit for the year	128,168	194,150

The net profit for the year has been added to retained earnings. During the year, the Company paid dividend of K0.10 per share amounting to K55.9 million relating to the year ended 31 March 2016 final results.

The Directors did not declare any interim dividend (2016: K60.6 million) and will not propose a final dividend for the year ended 31 March 2017 (K55.9 million).

Directors

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

Valentine Chitalu	Chairman	
George Sokota	Non - Executive Director	
Annabelle Degroot	Managing Director	
Faith Mukutu	Finance Director	
Sean Smuts	Non - Executive Director	Appointed 12 May 2017
Pedro Cruz	Non - Executive Director	Appointed 12 May 2017
Brian Hirsch	Non - Executive Director	Resigned 12 May 2017
Lucia Swartz	Non - Executive Director	Resigned 12 May 2017
Wayne McCauley	Non - Executive Director	Resigned 31 December 2016

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K195.6 million (2016: K139.3 million) and the average number of employees was as follows:

Month	Number	Month	Number
April	1,167	October	1,137
May	1,180	November	1,143
June	1,182	December	1,143
July	1,155	January	1,136
August	1,158	February	1,116
September	1,161	March	1,036

Gifts and donations

During the year the Company made donations of K83,738 (2016: K149,461) to various charitable organisations and events.

Exports

The Company did not export any goods during the year (2016: Nil).

Property, plant and equipment

The Company purchased property, plant and equipment amounting to K 334.2 million (2016: K 414.1 million) during the year. In the opinion of the Directors, the carrying value of property, plant and equipment is not more than its market value.

Research and Development

No research and development costs were incurred by the Company during the year (2016: Nil)

Health and safety

The Company is committed to securing the reasonable health, safety and welfare of its employees at work and visitors against risks to health or safety arising out of or in connection with the activities of the Company.

Developments during the year

In October 2016, SABMiller Plc merged with the global beverage manufacturing company Anheuser Busch InBev (AB InBev), thereby becoming the new parent company. Subsequently, The Coca Cola Company (TCCC) reached an agreement with AB InBev to acquire AB InBev's 54.4% stake in the Coca Cola Beverages Africa.

In a separate arrangement, TCCC reached an agreement in principle to acquire the non-alcoholic ready-to-drink business segment of the Company.

Auditor

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

By order of the Board

2nd June, 2017

Statement of Directors' Responsibilities

The Zambia Companies Act 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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act. The Directors are of the opinion that the financial statements 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. 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 control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of the statement of financial position.

Signed on their behalf by:

Valentine Chitalu Chairman	Annabelle Degroot Country Director

2nd June, 2017

Independent auditor's report

To the Shareholders of Zambian Breweries Plc

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zambian Breweries Plc (the "Company") as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the requirements of the Zambia Companies Act.

What we have audited

The financial statements of Zambian Breweries Plc are set out on pages 30 to 67 comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2017;
- the statement of financial position as at 31 March 2017;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

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

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A list of Partners is available from the address above

pwc

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment of the non-alcoholic ready-to-drink business segment As described in Note 5: critical accounting estimates and judgments, the Company subjects goodwill to an impairment test annually in addition to when there is an indication of impairment. We determined this to be an area of focus for the audit on account of the significance of the judgments applied by the directors in determining the recoverable amount of this Cash Generating Unit ("CGU") and materiality of the amounts involved. See Note 18 to the financial statements on page 62.	We tested the mathematical accuracy of the calculations and reconciled the detailed workings to the general ledger. We checked the basis for estimating the expected purchase price against the offer contained within the deal that had been agreed in principle between the Company and The Coca Cola Company ("TCCC').
Non-current assets held for sale and discontinued operations We considered this as an area of focus for the audit on account of the significance of the judgments made by the directors in assessing whether the held for sale criteria had been met at year-end, in addition to the measurement and disclosure implications of implementing the requirements of IFRS 5: Non-current assets held for sale and discontinued operations, on the financial statements of the company. See Note 5 to the financial statements on pages 51 to 52.	We checked management's analysis of the level of integration of the alcoholic and non-alcoholic ready-to-drink business segments for consistency with our understanding and knowledge of the business. We corroborated the judgments made by the directors regarding the complexity involved in the segregation of assets between the two segments with the AB InBev Mergers & Acquisitions team responsible for negotiations with TCCC. We evaluated the appropriateness of the conclusions arrived at by the directors with respect to the applicability of IFRS 5 against the criteria set out in the standard.

Other information

The directors are responsible for the other information. The other information comprises Financial highlights, Chairman's report, Country director's report, Board of directors, Executive committee, Corporate Governance statement, Managing sustainable development, Directors' report, Principal shareholders, Corporate information and Glossary of terms (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in accordance with the requirements of the Zambia Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the 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 judgment and maintain professional scepticism throughout the audit. We also:

- 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 management.

- Conclude on the appropriateness of management’s 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 those 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Zambia Companies Act requires that in carrying out our audit we consider whether Zambian Breweries Plc has kept the accounting records and other records and registers required by this Act.

In our opinion, based on our examination of those records, Zambian Breweries Plc has maintained proper accounting records and other records and registers as required by the Zambia Companies Act.

PricewaterhouseCoopers
Chartered Accountants
Lusaka

Date: 5 June 2017

Charity Mulenga
Practising Certificate Number: AUD/F000945
Partner signing on behalf of the firm

Financial Statements

3

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

	Notes	2017	2016
Revenue	6	1,974,021	1,712,869
Cost of sales		(1,160,812)	(1,018,427)
Gross profit		813,209	694,442
Other operating income	7	17,216	1,290
Distribution costs		(205,897)	(191,735)
Administrative expenses		(263,571)	(187,976)
Operating profit		360,957	316,021
Finance income	10	47,450	74,221
Finance costs	10	(222,601)	(112,061)
Finance costs – net		(175,151)	(37,840)
Profit before income tax		185,806	278,181
Income tax expense	11	(57,638)	(84,031)
Profit for the year		128,168	194,150
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	14	23,637	(28,923)
Other comprehensive income/(loss) for the year, net of tax		23,637	(28,923)
Total comprehensive income for the year		151,805	165,227
Earnings per share for profit attributable to the equity holders of the Company			
- Basic and diluted	12	0.235	0.356

The notes on pages 34 to 67 are an integral part of these financial statements

Statement of Financial Position

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

	Notes	2017	2016
Capital and reserves attributable to the Company's equity holders			
Share capital	13	5,460	5,460
Share premium	13	450,207	450,207
Retained earnings		752,367	680,099
Hedge reserve	14	-	(23,637)
		1,208,034	1,112,129
Non-current liabilities			
Borrowings	15	-	200,000
Deferred income tax	16	388,272	354,678
		388,272	554,678
Total equity and non-current liabilities		1,596,306	1,666,807
Non-current assets			
Property, plant and equipment	17	1,817,350	1,643,537
Intangible assets	18	73,059	75,049
Non-current receivables and prepayments	19	-	896
		1,890,409	1,719,482
Current assets			
Inventories	20	345,569	364,636
Trade and other receivables	21	342,962	273,858
Current income tax	11	5,521	13,004
Deferred income tax	16	-	5,275
Cash at bank and in hand	23	90,165	86,326
		784,217	743,099
Current liabilities			
Trade and other payables	24	437,517	492,378
Derivative financial instruments	22	-	36,365
Borrowings	15	616,789	267,031
Deferred income tax	16	24,014	-
		1,078,320	795,774
Net current liabilities		(294,103)	(52,675)
Total assets less current liabilities		1,596,306	1,666,807

The notes on pages 34 to 67 are an integral part of these financial statements

The financial statements on pages 30 to 67 were approved for issue by the Board of Directors on 2nd June, 2017 and signed on its behalf by:

Valentine Chitalu
Chairman

Annabelle Degroot
Country Director

Statement of Changes in Equity

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

	Note	Share capital	Share premium	Retained earnings	Hedging reserve	Total equity
Year ended 31 March 2016						
At start of year		5,460	450,207	546,556	5,286	1,007,509
Comprehensive income:						
Profit for the year		-	-	194,150	-	194,150
Reclassification to profit or loss	14	-	-	-	(5,286)	(5,286)
Other comprehensive income for the year	14	-	-	-	(23,637)	(23,637)
Total comprehensive income for the year		-	-	194,150	(28,923)	165,227
Transactions with owners:						
Interim dividends paid 2016	25	-	-	(60,607)	-	(60,607)
Total transactions with owners		-	-	(60,607)	-	(60,607)
At end of year		5,460	450,207	680,099	(23,637)	1,112,129
Year ended 31 March 2017						
At start of year		5,460	450,207	680,099	(23,637)	1,112,129
Comprehensive income:						
Profit for the year		-	-	128,168	-	128,168
Reclassification to profit and loss	14	-	-	-	23,637	23,637
Total comprehensive income for the year		-	-	128,168	23,637	151,805
Transactions with owners:						
Final dividends paid 2016	25	-	-	(55,900)	-	(55,900)
Total transactions with owners		-	-	(55,900)	-	(55,900)
At end of year		5,460	450,207	752,367	-	1,208,034

The notes on pages 34 to 67 are an integral part of these financial statements.

Statement of Cash Flow

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations	26	331,247	525,166
Interest received		18,751	1,791
Interest paid		(71,317)	(23,406)
Net cash generated from operating activities		278,681	503,551
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(334,244)	(414,084)
Proceeds from sale of property, plant and equipment		27,227	14,147
Purchases of Intangible assets	18	-	(1,447)
Net cash used in investing activities		(307,017)	(401,384)
Cash flows from financing activities			
Interest paid on long term borrowings		(52,340)	(38,728)
Proceeds from borrowings		85,000	200,000
Repayment of borrowings		(15,687)	(213,736)
Dividends paid to shareholders	25	(55,900)	(60,607)
Net cash used in financing activities		(38,927)	(113,071)
Net decrease in cash and cash equivalents		(67,263)	(10,904)
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	23 (a)	(100,907)	(87,940)
Decrease in cash and cash equivalents		(67,263)	(10,904)
Exchange difference in cash and cash equivalents		(1,737)	(2,063)
Cash and cash equivalents at end of the year	23(a)	(169,907)	(100,907)

The notes on pages 34 to 67 are an integral part of these financial statements.

1 General information

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

Plot Number 6438
Mungwi Road
Heavy Industrial Area
Lusaka

For the Zambia Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income, in these financial statements.

2 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) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

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

Going concern

As shown on the statement of financial position, the Company had net current liabilities of K 294 million (2016: K 53 million). This state of affairs may be indicative of the existence of a condition that casts significant doubt over the Company's ability to continue as a going concern. As a result, the Directors performed an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the next twelve months from the balance sheet date. This conclusion has been arrived at after taking into account the following:

- The Company made a profit after tax of K128 million (2016: K194 million) for the year ended 31 March 2017 and has accumulated profits of K752 million (2016: K680 million);
- The Company is in full compliance with financial covenants contained in its existing borrowing agreements;
- Subsequent to the year-end, the existing revolving credit facility with Stanbic Bank Zambia of K 200 million was renewed until February 2018; and
- The Directors are implementing various business strategies aimed at improving performance and enhancing sustainable operations in the foreseeable future.

The Directors are confident that the Company will have sufficient working capital to finance its operations and meet financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for de recognition.

- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

Amendments to IAS 16 and IAS 38; The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

As these amendments merely clarify the existing requirements, they do not affect the Company's accounting policies or any of the disclosures.

The adoption of the improvements made in the 2012-2014 Cycle did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is still assessing the impact of the new standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is still assessing the impact of the new standard.

IFRS 16,'Leases' *A*fter ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

2 Summary of significant accounting policies (continued)

(b) Segment reporting

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

- Managing Director
- Finance Director
- Technical Director
- Human Resources Director
- Sales and Distribution Director
- Marketing Director
- Corporate Affairs Director

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value-added tax (VAT), returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

i) Sales 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 customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

Accumulated experience is used to estimate and provide for discounts and returns. The volume discounts are assessed based on actual purchases.

2 Summary of significant accounting policies (continued)

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Trade receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(g) Cash and cash equivalents

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

(h) 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.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value are recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

(j) Borrowing costs

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

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

2. Summary of significant accounting policies (continued)

(k) Property plant and equipment

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

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

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

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

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

(l) Intangible assets

(i) Goodwill

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

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

2. Summary of significant accounting policies (continued)

(l) Intangible assets (continued)

(i) Goodwill (continued)

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

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

- The expected usage by the entity - the entity expects to make use of the assets for an indefinite period of time. In this regard, the entity has made massive investments in terms of plant and equipment over the years to ensure that the entity's operations continue. "
"
- The typical product life cycle for the assets and published information about useful lives of similar assets that are used in a similar way - the treatment adopted by the Directors is in line with companies in the similar businesses in the same industry."
- The stability of the industry in which the asset operates and changes in market demand for the products or services from or related to the asset - Directors are of the view that the industry in which the entity operates is stable and hence the assets are more likely to be of use indefinitely.
- Expected actions by actual or potential competitors - there are no actual or potential competitors that will affect the market share of the entity.

(ii) Computer software

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials, work in progress (WIP) and finished goods is determined by the standard cost method less provision for impairment. Cost of engineering spares is measured at 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), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

2. Summary of significant accounting policies (continued)

(n) Employee benefits

Retirement benefit obligations

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

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

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

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

(o) Income tax

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

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

The Company has tax incentives offered under investment licenses issued by the Zambia Development Agency (ZDA) for capital investments. The income taxable for these specific investments are subjected to a lower corporate tax rate for the first ten years under the ZDA license.

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

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

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

Notes (continued)

2. Summary of significant accounting policies (continued)

(p) Share capital

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

(q) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 4. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of the foreign exchange hedge is recognised in other comprehensive income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the profit and loss. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Other gains/(losses) – net'.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

2. Summary of significant accounting policies (continued)

(r) Comparatives

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

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

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

(s) Dividend distribution

Dividend distribution to the Company's shareholders is charged to liabilities in the financial statements in the period in which the dividends are approved by the Company's shareholders.

(t) Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'non-current receivables and prepayments', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

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

(iv) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Summary of significant accounting policies (continued)

(u) Non-current assets held for sale

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

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

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

(v) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill, are not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(x) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

3 Financial risk management

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

Financial risk management is carried out by the finance department and AB InBev under policies approved by the Board.

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

(a) Market risk

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

(i) Foreign exchange risk

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

The Company previously had a policy that required the Company to manage its foreign exchange risk against the Company's functional currency. The Company was required to hedge 95% of its foreign exchange risk exposure with the SABMiller Group Treasury. The Company used forward contracts to manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

The Group Treasury risk management policy was to hedge 60% to 95% of the anticipated cash flows (mainly purchase of inventory) in each major foreign currency for the subsequent 6 months. Approximately 95% of the projected purchases in each major currency previously qualified as highly probable forecast transactions for hedge accounting purposes.

In the current period, due to losses incurred from the use of forward contracts for hedging purposes, the Company discontinued the use of forward contract in foreign currency risk management. Management purchased foreign currency at spot rates.

At 31 March 2017, if the currency had weakened/strengthened by 12% (2016: 13%) against the USD with all other variables held constant, the effect on post-tax profit for the year and shareholder equity would have been K 0.06 million (2016: K 16.1 million) lower/higher, mainly as a result of USD trade payables and bank balances.

At 31 March 2017, if the currency had weakened/strengthened by 3% (2016: 10%) against the ZAR with all other variables held constant, post-tax profit for the year and shareholder equity would have been K 3.5 million (2016: K6.0 million) higher/ lower, mainly as a result of ZAR trade payables and bank balances.

At 31 March 2017, if the currency had weakened/strengthened by 18% (2016: 13%) against the EUR with all other variables held constant, the impact on post tax profit for the year and shareholder equity would have been K 1 million (2016: K2.9 million) higher/ lower, mainly as a result of EUR trade payables and bank balances.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

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

As at 31 March 2017, with other variables unchanged, a 5% (2016: 2%) decrease/increase in the base interest rate would have resulted in post-tax profit for the year and shareholder equity being K20.0 million (2016: K9.3 million) higher/lower.

(iii) Price risk

The Company is not exposed to commodity price risk.

(b) Credit risk

The Company does occasionally have funds on deposit at various banks but on those occasions when the amounts involved are material, the length of time that the funds are being held, is short. In addition, the Company only banks with reputable well established financial institutions. The Company's main credit risk therefore comes from its exposure to trade and other receivables mainly arising from balances outstanding from retail supermarkets during the year.

Credit risk is managed by the Finance Director. The Finance Director assesses the credit quality of each customer before standard payment and delivery terms are offered, taking into account its financial position, past experience and other factors. Individual credit limits and terms are set based on limits set by the Board. The utilisation of credit limits and the adherence to settlement terms are constantly monitored.

The Company does not use external credit ratings for the purposes of assessing credit quality.
The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

3 Financial risk management (continued)

(b) Credit risk (continued)

None of the financial assets are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	2017	2016
- Current	76,550	65,769
Past due but not impaired:		
- by up to 30 days	17,684	5,266
- by more than 31 to 60 days	5,702	609
- Above 60 days	3,782	7,611
Total past due but not impaired	27,168	13,486
Total trade receivables due but not impaired	103,718	79,255
Impaired	14,568	3,562
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	14,568	3,562
Provision for impairment loss	(14,568)	(3,562)
Net carrying amount	-	-

(c) Liquidity risk

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

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

(All amounts are in thousands of Kwacha unless otherwise stated)

3 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
At 31 March 2017:				
- borrowings	14,619	667,300	-	681,919
- trade and other payables (excluding statutory liabilities)	381,724	-	-	381,724
Total financial liabilities	396,343	667,300	-	1,063,643
At 31 March 2016:				
- borrowings	5,852	318,531	251,500	575,883
- trade and other payables (excluding statutory liabilities)	438,129	-	-	438,129
Total financial liabilities	443,981	318,531	251,500	1,014,012

(d) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

3 Financial risk management (continued)

(d) Fair value estimation (continued)

At 31 March 2016

	Level 2
Assets	
Financial assets at fair value through profit or loss:	
– Trading derivatives	36,365

Financial Instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2.

(All amounts are in thousands of Kwacha unless otherwise stated)

3 Financial risk management (continued)

(e) Capital management

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

During the year, the Company's strategy was to maintain a gearing ratio of less than 75%. The gearing ratio at 31 March 2017 and 2016 were as follows;

	2017	2016
Total borrowings	616,789	467,031
Less: cash at bank and in hand	(90,165)	(86,326)
Net debt	526,624	380,705
Total equity	1,208,034	1,112,129
Total capital	1,734,658	1,492,834
Gearing ratio	30%	26%

4 Financial instruments by category

At 31 March 2017

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	333,969
Cash at bank and in hand	90,165
	424,134

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings	616,789
Trade and other payables (excluding statutory liabilities)	381,724
	998,513

At 31 March 2016

	Loans and receivables
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	249,444
Cash at bank and in hand	86,326
Non-current receivable	896
	336,666

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

4 Financial instruments by category (continued)

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position		
Borrowings	-	467,031
Trade and other payables (excluding statutory liabilities)	-	438,129
Derivative financial instruments	36,363	-
	36,363	905,160

5 Critical accounting estimates and judgments

Critical accounting estimates and assumptions

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

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

Impairment of goodwill

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

Non – current assets held for sale and discontinued operations

In light of the on-going negotiations between TCCC and AB InBev for the former's acquisition of the Company's non-alcoholic drink business segment, the Directors made judgments as to whether, as at year-end, this transactions fell within the scope of IFRS 5: Non – current assets held for sale and discontinued operations.

The Directors announced that a deal was reached in principle (and announced publicly in cautionary statements issued on 27 December 2016, 24 February 2017 and 19 April 2017) for TCCC to acquire the non-alcoholic ready-to-drink business segment of the Company subject to receipt of any requisite regulatory approvals and material consents. The expected expiration date of the existing bottling agreement is expected to be the earlier of:

(i) the execution of transaction documents governing the transactions; and

(ii) 30 September 2017.

A transaction of this nature is considered to be within the scope of IFRS 5: Non-current assets held for sale and discontinued operations when the assets in question are available for immediate sale in their present condition, and the sale is highly probable.

The Directors determined that this transaction did not fall within the scope of IFRS 5 at year-end on the basis that the assets were not available for sale in their present condition. This view is premised on the complexity involved in hiving-off the operations of the non-alcoholic ready-to-drink business segment on account of the high level of integration of the business processes of the Company as a whole.

Details of the financial position and performance of this segment are disclosed in Note 6: Operating segments.

(All amounts are in thousands of Kwacha unless otherwise stated)

5 Critical accounting estimates and judgments (continued)

Income taxes

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

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

Useful lives of equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(k) above. The carrying value of property, plant and equipment is disclosed in Note 17.

6 Segment information

The Executive Committee (Note 2(b) is the Company's chief operating decision-maker. The Board of Directors have determined the operating segments based on the information reviewed by the executive committee for the purposes of allocating resources and assessing performance. The Board considers the activities of the Company to substantially fall within the same product range and within the same geographic region (Zambia). The products are distributed to similar classes of customers using similar distribution channels.

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

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

	2017			2016		
	Alcoholic	**Non-Alcoholic**	**Total**	**Alcoholic**	**Non-Alcoholic**	**Total**
Revenue from external customers:						
Alcoholic beverages	1,387,474	-	1,387,474	1,112,691	-	1,112,691
Non-alcoholic beverages	-	586,547	586,547	-	600,178	600,178
Total revenue	1,387,474	586,547	1,974,021	1,112,691	600,178	1,712,869
Operating expenses	(1,192,274)	(481,439)	(1,673,713)	(891,409)	(481,027)	(1,372,436)
EBITA	195,200	105,108	300,308	221,282	119,151	340,433
Interest income	12,188	6,563	18,751	1,164	627	1,791
Interest expense	(85,321)	(45,942)	(131,263)	(40,387)	(21,747)	(62,134)
Amortisation	(1,293)	(697)	(1,990)	(1,241)	(668)	(1,909)
Income tax expense	(37,465)	(20,173)	(57,638)	(54,620)	(29,411)	(84,031)
Profit after income tax	83,309	44,859	128,168	126,198	67,952	194,150
Total assets	1,738,508	936,118	2,674,626	1,600,678	861,903	2,462,581
Total liabilities	953,285	513,307	1,466,592	877,794	472,658	1,350,452

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

6 Segment information (continued)

The amounts provided to the Executive Committee with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

The result of its revenue from external customers in Zambia is K1,974 million (2016: K 1,713 million). There was no revenue from external customers from other countries (2016: Nil).

All non-current assets are located in Zambia.

As the Company primarily sells to distributors, wholesalers and large retail outlets, it had two customers during the year who contributed 10% or more of the Company's total revenue. This amounted to K 591 million (2016: K 642.8 million) in total.

As disclosed in Note 5, as at year-end, a deal had been reached in principle for TCCC to acquire the non-alcoholic business segment of the Company. The judgments applied by the directors in determining the appropriate accounting treatment of this transaction are disclosed in that note.

7 Other operating income

	2017	2016
Other income	2,630	938
Net foreign exchange gain / (loss) other than on borrowings and cash and cash and equivalents	14,424	302
Profit on disposal property, plant and equipment	162	50
	17,216	1,290

8 Expenses by nature

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

	2017	2016
Raw materials and consumables used	864,322	782,431
Employee benefits expense (Note 9)	195,550	139,340
Depreciation on property, plant and equipment (Note 17)	133,366	106,279
Maintenance	57,980	55,453
Royalties	72,471	59,809
Transportation expenses	68,935	62,778
Marketing	52,783	50,155
Management fees	44,709	42,094
Service Contracts	29,536	24,288
Provision for slow moving inventory	23,824	-
Amortisation of intangible asset (Note 18)	1,990	1,909
Auditor's remuneration	1,090	1,075
Provision for impairment losses on trade receivables (Note 21)	11,197	1,364
Other expenses	72,527	71,163
Total cost of sales, distribution and administrative costs	1,630,280	1,398,138

9 Employee benefits expense

The following are included within the employee benefits expense:

	2017	2016
Salaries and wages	143,353	127,372
Voluntary separation costs	38,754	-
Defined contribution schemes – NAPSA and Saturnia	13,443	11,968
	195,550	139,340

(All amounts are in thousands of Kwacha unless otherwise stated)

10 Finance income and costs

	2017	2016
Finance income:		
Interest income	18,751	1,791
Foreign exchange gain on cash and cash equivalents	28,699	72,430
	47,450	74,221
Finance costs:		
Interest expense:		
- Intercompany Interest paid	(1,487)	-
- Overdrafts	(71,264)	(23,406)
- Syndicated loans	-	(34,353)
- FNB Loan	(8,090)	
- Revolving credit facility	(50,422)	(4,375)
	(131,263)	(62,134)
Foreign exchange loss on cash and cash equivalents	(91,338)	(49,927)
	(222,601)	(112,061)
Finance costs - net	(175,151)	(37,840)

11 Income tax

Current income tax	7,483	955
Deferred income tax (credit)/charge (Note 16)	86,061	(24,021)
Provision held against ZDA Incentive benefit (Note 16)	(35,906)	107,097
Income tax expense	57,638	84,031

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:

Profit before income tax	185,806	278,181
Tax calculated at the statutory income tax rate of 35% (2016: 35%)	65,032	97,363
Tax effects of:		
- Income not subject to tax	(35,753)	(123,968)
- Expenses not deductible for tax purposes	64,265	3,539
- Provision held against ZDA incentive benefit	(35,906)	107,097
Income tax expense	57,638	84,031

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

11 Income tax (continued)

Current income tax movement in the statement of financial position

	2017	2016
At start of the year	(13,004)	(13,959)
Charge for the year	7,483	955
At end of the year – asset	(5,521)	(13,004)

Tax losses

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

Year	Tax loss	Utilised during the year	Losses expired during the period	Cumulative	Year of expiry
31-Mar-12	119,407	(40,007)	(79,400)	-	2017
31-Mar-13	11,950	-	-	11,950	2018
31-Mar-14	48,092	-	-	60,042	2019
31-Mar-15	119,995	-	-	180,037	2020
31-Mar-16	122,790	-	-	302,827	2021
31-Mar-17	32,032	-		334,859	2022

The tax credit/ (charge) relating to components of other comprehensive (loss)/income is as follows:

	2017		
	Before tax	Tax charge	After tax
Cash flow hedge	36,365	(12,728)	23,637
Other comprehensive income	36,365	(12,728)	23,637
Deferred income tax (Note 16)	-	(12,728)	-

	2016		
	Before tax	Tax credit	After tax
Cash flow hedge	(36,365)	12,728	(23,637)
Other comprehensive income	(36,365)	12,728	(23,637)
Deferred income tax (Note 16)	-	12,728	-

(All amounts are in thousands of Kwacha unless otherwise stated)

12 Earnings per share

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

Profit attributable to equity holders of the Company (K'000)	128,168	194,150
Weighted average number of ordinary shares in issue (millions)	546	546
Basic earnings per share (in Kwacha)	0.235	0.356

There were no potentially dilutive shares outstanding at 31 March 2017 or 2016. Diluted earnings per share are therefore the same as basic earnings per share.

13 Share capital

	Number of shares (millions)	Ordinary shares	Share premium
Balance as at 1 April 2015, 31 March 2016 and 31 March 2017	546	5,460	450,207

The authorised share capital of the Company remained unchanged at 600,000,000 ordinary shares of K0.01 each (2016: K0.01), of which 546,000,000 are issued and fully paid.

14 Hedge reserve

	Cash flow hedge
Year ended 31 March 2016	
At start of the year	5,286
Transfers to cost of sales	(8,133)
Tax on transfers to cost of sales	2,847
Fair value gains in year	(36,365)
Tax on fair value gains in year	12,728
At end of the year	(23,637)
Year ended 31 March 2017	
At start of the year	(23,637)
Transfers to cost of sales	36,365
Tax on transfers to cost of sales	(12,728)
At end of the year	-

The hedge reserve is used to record gains and losses on derivatives that are designated and qualify as cash flow hedges and that are recognized in other comprehensive income, as described in Note 22. Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

15 Borrowings

	2017	2016
Non-current:		
Revolving credit facility	-	200,000
Current:		
Bank overdrafts	260,072	187,233
Bank overdrafts – accrued interest	1,434	-
Intercompany lending (Note 27)	64,111	79,798
Revolving credit facility – principal	200,000	-
Revolving credit facility – accrued interest	3,236	-
FNB loan – principal	85,000	-
FNB loan – accrued interest	2,936	-
	616,789	267,031
Total borrowings	616,789	467,031

The revolving credit facility is held with Stanbic Bank Zambia Limited following an agreement entered into on 24 February 2016. The facility is secured by a guarantee from SABMiller Holdings Limited. Interest on the loan facility is payable at 21.25% per annum for the remaining tenure of the loan. The loan is subject to renewal in February 2018.

The bank overdraft facilities from various banks are all unsecured. Interest on the bank overdraft is payable at the prevailing Bank of Zambia (BoZ) Monetary Policy Rate plus Liquidity premium plus a margin ranging from 1.00% to 6.5%. The bank overdrafts expiring within one year are annual facilities subject to renewal at various dates during 2017. The effective interest rate during the period was 30% (2016: 14.4%).

The intercompany loan is payable to Heinrich's Syndicate Limited and is unsecured. During the year, interest expense of K 1.5 million (2016: K 3.6 million) was charged on the balance. The fair value of the balance approximates to its carrying value.

The loan facility with FNB Zambia Limited was entered into on 24 February 2016 and is unsecured. Interest on the loan facility is payable at 33.5% (Zambia monetary policy rate of 15.5% plus 18% margin). The loan is subject to renewal in February 2018

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

(All amounts are in thousands of Kwacha unless otherwise stated)

16 Deferred income tax

	2017	2016
At start of the year	349,403	281,902
(Credit) / charge for the year	86,061	(24,021)
Tax credit / charge relating to cash flow hedge	-	(12,728)
Tax charge on hedge reclassified to profit and loss	12,728	(2,847)
Provision held against ZDA incentive benefit	(35,906)	107,097
At end of year	412,286	349,403

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred income tax assets:

	2017	2016
– Deferred income tax assets to be recovered after 12 months	(117,201)	(168,866)
– Deferred income tax assets to be recovered within 12 months	(6,762)	(12,728)
	(123,963)	(181,594)

Deferred income tax liabilities:

	2017	2016
– Deferred income tax liabilities to be recovered after more than 12 months	505,473	523,544
– Deferred income tax liabilities to be recovered within 12 months	30,776	7,453
	536,249	530,997
Deferred income tax liabilities - net	412,286	349,403

Net deferred income tax (assets)/ liabilities:

	2017	2016
– Net deferred tax liabilities to be recovered after more than 12 months	388,272	354,678
– Net deferred tax liabilities to be recovered within 12 months	24,014	(5,275)
Deferred income tax liabilities - net	412,286	349,403

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

16 Deferred income tax (continued)

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

Year ended 31 March 2017

	At start of the year	Charged/ (credited) to P/L	Current tax on items reclassified to P/L	At end of the year
Deferred income tax liabilities				
Property, plant and equipment	362,351	41,158	-	403,509
	362,351	41,158	-	403,509
Deferred income tax assets				
Other deductible temporary differences	-	(6,762)	-	(6,762)
Tax losses carried forward	(168,866)	51,665	-	(117,201)
Hedges	(12,728)	-	12,728	-
	(181,594)	44,903	12,728	(123,963)
Net deferred income tax liability	180,757	86,061	12,728	279,546
Provision held against ZDA incentive benefit	168,646	(35,906)	-	132,740
Deferred income tax liability recognised	349,403	50,155	12,728	412,286

Year ended 31 March 2016

	At start of the year	Charged/ (credited) to P/L	Credited to OCI	Current tax on items reclassified to P/L	At end of the year
Deferred income tax liabilities					
Property, plant and equipment	344,809	17,542	-	-	362,351
Hedges	2,847	-	-	(2,847)	-
	347,656	17,542	-	(2,847)	362,351
Deferred income tax assets					
Other deductible temporary differences	(7,968)	7,968	-	-	-
Tax losses carried forward	(119,335)	(49,531)	-	-	(168,866)
Hedges	-	-	(12,728)	-	(12,728)
	(127,303)	(41,563)	(12,728)	-	(181,594)
Net deferred income tax liability	220,353	(24,021)	(12,728)	(2,847)	180,757
Provision held against ZDA incentive benefit	61,549	107,097	-	-	168,646
Deferred income tax liability recognised	281,902	83,076	(12,728)	(2,847)	349,403

(All amounts are in thousands of Kwacha unless otherwise stated)

17 Property, plant and equipment

	Buildings	Motor Vehicles	Plant & Containers	Capital work in progress	Total
At 1 April 2015					
Cost	262,731	104,454	1,447,200	95,339	1,909,724
Accumulated depreciation	(20,977)	(64,770)	(474,148)	-	(559,895)
Net book amount	241,754	39,684	973,052	95,339	1,349,829
Year ended 31 March 2016					
Opening net book amount	241,754	39,684	973,052	95,339	1,349,829
Additions	-	-	61,908	352,176	414,084
Disposals	-	-	(14,097)	-	(14,097)
Transfers	17,167	572	79,323	(97,062)	-
Depreciation charge	(6,797)	(11,902)	(87,580)	-	(106,279)
Closing net book amount	252,124	28,354	1,012,606	350,453	1,643,537
At 31 March 2016					
Cost	279,898	104,966	1,574,330	350,453	2,309,647
Accumulated depreciation	(27,774)	(76,612)	(561,724)	-	(666,110)
Closing net book amount	252,124	28,354	1,012,606	350,453	1,643,537
Year ended 31 March 2017					
Opening net book amount	252,124	28,354	1,012,606	350,453	1,643,537
Additions	-	-	101,118	233,126	334,244
Disposals	-	(105)	(23,963)	-	(24,068)
Intercompany transfers	(542)	-	(2,455)	-	(2,997)
Transfers	25,902	10,831	141,611	(178,344)	-
Depreciation charge	(7,495)	(11,601)	(114,270)	-	(133,366)
Closing net book amount	269,989	27,479	1,114,647	405,235	1,817,350
At 31 March 2017					
Cost	305,258	111,499	1,784,485	405,235	2,606,477
Accumulated depreciation	(35,269)	(84,020)	(669,838)	-	(789,127)
Closing net book amount	269,989	27,479	1,114,647	405,235	1,817,350

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

Major component under the Capital Work in Progress relates to the Maltings Plant. The malt produced is still being subjected to various quality tests.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

18 Intangible assets

	Goodwill	Software Licences	Total
At 1 April 2015			
Cost	71,987	9,399	81,386
Accumulated amortisation	-	(5,875)	(5,875)
Net book amount	71,987	3,524	75,511
Year ended 31 March 2016			
Opening net book value	71,987	3,524	75,511
Additions	-	1,447	1,447
Amortisation charge	-	(1,909)	(1,909)
At end of year	71,987	3,062	75,049
At 31 March 2016			
Cost	71,987	10,846	82,833
Accumulated amortisation	-	(7,784)	(7,784)
Net book amount	71,987	3,062	75,049
Year ended 31 March 2017			
At start of year	71,987	3,062	75,049
Amortisation charge	-	(1,990)	(1,990)
At end of year	71,987	1,072	73,059
At 31 March 2017			
Cost	71,987	10,846	82,833
Accumulated amortisation	-	(9,774)	(9,774)
Net book amount	71,987	1,072	73,059

(All amounts are in thousands of Kwacha unless otherwise stated)

18 Intangible assets (continued)

(i) Goodwill

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

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

Alcoholic beverages	17,061
Non-alcoholic beverages	54,926
	71,987

The recoverable amount is determined as the higher of value in use and the fair value less costs to sell. In the current year, the directors applied the value-in-use model for the alcoholic beverages CGU and the fair value less costs to sell model for the non-alcoholic beverages CGU in assessing goodwill for impairment.

Alcoholic business segment

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

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

	2017	**2016**
Growth Rate	11.70%	10.9%
Discount Rate	27.50%	22.2%

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

The recoverable amount exceeded the carrying value in the current period, hence no impairment losses were recognised in 2017 (2016: Nil)

Non-alcoholic ready to drink business segment

During the year, the directors announced that a deal in principle had been reached between The Coca Cola Company (TCCC) and AB InBev for the former to acquire the Company's non-alcoholic ready-to-drink business.

In light of this development, the directors have deemed it more appropriate to determine the recoverable amount of this CGU based on the consideration they expect to receive from TCCC in exchange for this business segment. The recoverable amount determined using this approach exceeded the carrying value by K 698 million.

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

18 Intangible assets (continued)

(ii) Computer software

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

19 Non-current receivables and prepayments

	2017	2016
Other non-current receivables	-	896

All non-current receivables have been re-classified to current receivables as they are due within the year from the Company's major transporter, Petand and Shengo.

20 Inventories

	2017	2016
Raw materials	210,393	172,694
Work in progress	22,658	22,262
Finished goods	55,190	62,327
General stores and consumables	57,328	107,353
	345,569	364,636

The cost of inventories recognised as an expense and included in cost of sales amounted to K 864 million (2016: K 782 million). There are no inventory items included in inventory which are recognised at net realizable value as at 31 March 2017 (2016: Nil).

21 Trade and other receivables

	2017	2016
Trade receivables	118,286	82,817
Less: Provision for impairment losses	(14,568)	(3,562)
	103,718	79,255
Amount due from related parties (Note 27)	226,513	163,788
Prepayments	8,993	24,414
Other receivables	3,738	6,401
	342,962	273,858

Movements on the provision for impairment of trade receivables are as follows:

	2017	2016
At start of year	3,562	2,878
Provision in the year	11,197	1,364
Receivables written off during the year as uncollectible	(191)	(680)
At end of year	14,568	3,562

The creation and release of provision for impaired receivables have been included in administrative expenses in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company holds security in the form of bank guarantees and title deeds for some (38%) of the credit customers.

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

(All amounts are in thousands of Kwacha unless otherwise stated)

22 Derivative financial instruments

Liability	-	36,365

The derivative financial instruments comprised forward foreign exchange contracts that were designated as hedging instruments through other comprehensive income and were considered as trading derivatives. Trading derivatives were classified as current assets or current liabilities in the statement of financial position. The hedged item related to mostly inventory purchases.

The fair value of a trading derivative was classified as a non-current asset or liability if the remaining maturity of the hedged item was more than 12 months and as a current asset or liability, if the maturity of the hedged item was less than 12 months.

Owing to the significant foreign exchange losses recorded during the year, management took a decision to discontinue the use of forward exchange contracts. In the absence of a hedging instrument and the resulting hedge ineffectiveness, the Company did not meet the criteria for applying hedging accounting in the year ended 31 March 2017. Consequently, all foreign exchange gains and losses previously recorded in other comprehensive income have been reclassified to profit or loss account.

23 Cash and cash equivalents

	2017	2016
Cash at bank and in hand	90,165	86,326

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

Cash at bank and in hand	90,165	86,326
Bank overdrafts (Note 15)	(260,072)	(187,233)
	(169,907)	(100,907)

24 Trade and other payables

Trade payables	103,203	231,332
Amounts due to related companies (Note 27)	112,643	90,653
Accrued expenses	53,784	39,365
Dividends payable	1,759	381
Other payables	166,128	130,647
	437,517	492,378

25 Dividends per share

At the next Annual General Meeting to be held on 28 June 2017, the Directors do not intend to propose a payment of final dividends in respect of the year ended 31 March 2017 (2016: K 0.10 per share amounting to K55.9 million). Dividends paid have been appropriated against retained earnings.

There were no interim dividends paid during the year. (2016: K 0.11 per share amounting to K 60.6 million).

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

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

26 Cash generated from operations

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

	2017	2016
Profit before income tax	185,806	278,181
Adjustments for:		
Interest income (Note 10)	(18,751)	(1,791)
Interest expense (Note 10)	131,263	62,134
Depreciation (Note 17)	133,366	106,279
Profit on sale of property, plant and equipment(Note 7)	(162)	(50)
Amortisation of intangible asset (Note 18)	1,990	1,909
Foreign exchange differences	1,737	2,063
Non-current receivables	896	4,875
Changes in working capital:		
- Inventories	19,067	(107,745)
- Trade and other receivables	(69,104)	1,415
- Trade and other payables	(54,861)	177,896
Cash generated from operations	331,247	525,166

27 Related party transactions

The Company is controlled by SABMiller Africa BV (incorporated in the Netherlands). The ultimate parent and controlling party of the Company is AB InBev Plc (incorporated in Belgium). There are other companies that are related to Zambian Breweries Plc through common shareholdings or common directorships.

i) Sale of goods and services

No sales were made to related parties (2016: Nil)

ii) Purchase of goods and services

	2017	2016
SABMiller Africa & Asia (Pty) Limited	1,168	6,396
Amalgamated Beverages Industries	-	28,862
South African Breweries (Pty) Limited	21,125	84,054
Sabmark International - a division of SABMiller International BV (Royalties)	72,471	59,809
SABMiller Management BV (Management fees)	44,709	42,094
Kgalagadi Breweries Plc	1,852	3,666
Coca Cola Canners	1,786	-
Mubex	481,611	447,600
	624,722	672,481

iii) Interest expense

	2017	2016
Mubex	1,469	58
Heinrich's Syndicate Limited	1,487	3,616
	2,956	3,674

(All amounts are in thousands of Kwacha unless otherwise stated)

27 Related party transactions (continued)

v) Directors' remuneration and key management compensation

	2017	2016
Directors remuneration:		
Non-executive Directors fees	411	434
Salaries and short term emoluments	2,949	3,781
Other emoluments	3,114	876
Retirement benefit cost	124	57
	6,598	5,148
Other key management compensation:		
Salaries and short term emoluments	7,643	8,903
Other emoluments	7,520	2,321
Retirement benefits cost	500	84
	15,663	11,308

vi) Outstanding balances from borrowings

Fellow subsidiary:

Heinrich's Syndicate Limited	64,111	79,798

The terms of the loan are disclosed in Note 15.

vii) Outstanding balances arising from sale of goods/services

Amounts due from related parties

Fellow subsidiaries:

Mubex	28,930	-
National Breweries Plc	197,583	163,788
	226,513	163,788

The receivable from Mubex arises mainly from sale transactions and are due one month after the date of sale. This receivable is unsecured and bears no interest.

The receivable from National Breweries Plc mainly arises from the payment of services on behalf of the fellow subsidiary as part of the group's cash management system. This receivable is unsecured and is interest bearing.

No provisions are held against receivables from related parties (2016: Nil).

Notes

For the year ended 31 March 2017
(All amounts are in thousands of Kwacha unless otherwise stated)

27 Related party transactions (continued)

viii) Outstanding balances from purchase of goods/services

Amounts due to related parties	2017	2016
Fellow subsidiaries:		
SABMiller Africa &Asia (Pty) Limited	1,186	2,018
South African Breweries (Pty) Limited	20,276	10,460
Sabmark International - a division of SABMiller International BV (Royalties)	16,396	14,432
Bevman Services AG (Management fees)	10,495	11,035
Tanzania Breweries Ltd	610	-
Kgalagadi Breweries Plc	511	557
Mubex	62,528	52,151
Coca Cola Canners	641	-
	112,643	90,653

ix) Interest income

Fellow subsidiaries:		
National Breweries Plc	18,169	-
Heinrich Syndicate Ltd	199	-
	18,368	-

28 Contingent liabilities

Zambian Breweries Plc had several pending legal proceedings at 31 March 2017. The Directors having obtained appropriate legal advice are of the opinion that there will be no material losses arising from the pending legal proceedings. The value of potential claims against the Company is K 56.2 million (2016: K 39.2 million).

29 Commitments

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

(i) Capital commitments

Property, plant and equipment	70,039	40,024

(ii) Operating commitments

Raw material commitments	113,368	109,563

30 Subsequent events

On 19 April 2017, the Company issued a further cautionary update that an agreement in principle has been reached between AB InBev and The Coca Cola Company (TCCC) to acquire the non-alcoholic ready to drink business of the Company, subject to receipt of any requisite regulatory approvals and material consents. The expected expiration date of the Bottling Agreement was further deemed to be extended to the earlier of:

(i) the execution of transaction documents governing the transactions; and

(ii) 30 September 2017.

Principal Shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 March 2017 is as follows:

	Name of shareholder	%	Number of shares
1.	SABMiller B.V.	87.13	475,732,350
2.	Standard Chartered Zambia Securities Nominees Ltd	9.48	51,784,530
3.	Saturnia Regna Pension Trust Limited	1.29	7,033,822
4.	KCM Pension Trust Scheme	0.34	1,879,274
5.	Stanbic Nominees Zambia Limited	0.43	2,340,457
6.	Standard Chartered Bank Pension Trust Fund	0.11	596,744
7.	Zambia State Insurance Pension Trust Fund	0.11	593,108
8.	Stanbic Bank Pension Trust Fund	0.07	408,023
9.	ZSIC Life Policy Holders Fund	0.07	400,000
10.	CEC Pension Trust Scheme	0.06	329,157
	Total selected	**99.09**	**541,097,465**
	Not selected	**0.91**	**4,902,535**
	Issued shares	**100.00**	**546,000,000**

Distribution of shareholders

	Number of shareholders	%	Number of shares
< 500	379	30.14	122,135
501-5,000	713	56.72	1,145,073
5,001 - 10,000	77	6.13	550,492
10,001 - 100,000	72	5.73	1,992,300
100,000 - 1,000,000	11	0.88	3,419,567
>1,000,001	5	0.40	538,770,433
	1,257	**100.00**	**546,000,000**

Corporate Information

CHAIRMAN
Valentine Chitalu

DIRECTORS
George Sokota*
Annabelle Degroot***
Sean Smuts**
Faith Mukutu*
Pedro Cruz****

COMPANY SECRETARY
Deborah Bwalya

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

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

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

AUDITOR
PricewaterhouseCoopers
PricewaterhouseCoopers Place
Thabo Mbeki Road
P O Box 30942
Lusaka

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

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

Profile

Founded	:	1952
Listed	:	1994

SECTOR
Consumer goods (Beverage Industry)

NATURE OF BUSINESS
Production and distribution of clear beer and soft drinks

POSTAL ADDRESS
Box 35135, Lusaka, Zambia

REGISTERED ADDRESS
Plot No 6438, Mungwi Road, Heavy Industrial Area, Lusaka
Telephone: +260 0962 249200

AUDITOR
PricewaterhouseCoopers

WEBSITE
www.ab-inbev.com

Glossary of Terms

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

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.

Top-line growth
Growth in net revenue.

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.

Notes

Notes