NATIONAL BREWERIES PLC

Annual Report I 2016

Building Capacity, Building Development

A subsidiary of SABMiller plc

COVER

New Lusaka Plant along Sheki Sheki Road.

Contents

National Breweries Plc at a Glance

National Breweries Plc is a subsidiary of SABMiller Plc, one of the world's largest brewers, with more than 200 beer brands and some 70,000 employees in over 75 countries.

National Breweries Plc brews the market-leading Chibuku brand of opaque beer and distributes it countrywide as the economy brand Chibuku Shake Shake in cartons and returnable plastic bottles, and the premium brand Chibuku Shake in plastic bottles.

The Company aims to create long-term sustainable growth through a combination of technical efficiency, marketing and brand strength, and strategic investment.

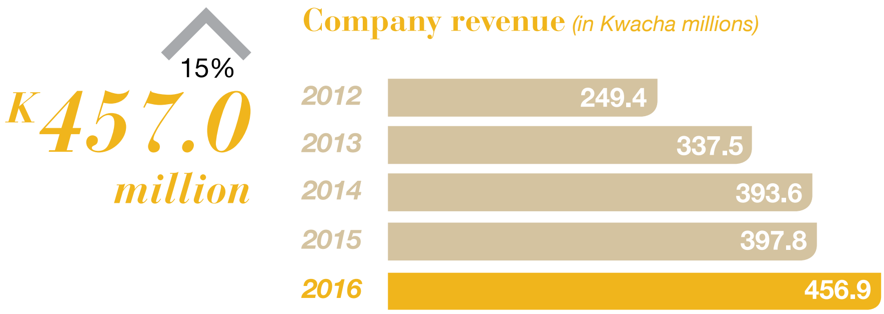
This is the Annual Report of National Breweries Plc for the year ended 31 March 2016. It includes information that is required by the Securities and Exchange Commission (SEC). This information may be updated or documented with the SEC or later amended if necessary, although National Breweries Plc does not undertake to update any such information. The Annual Report is made available to all shareholders on the Lusaka Stock Exchange website (www.luse.co.zm).

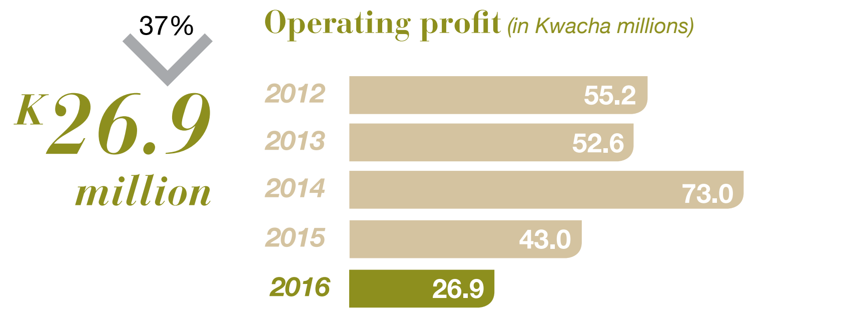
This report includes names of National Breweries Plc products, which constitute trademarks or trade names which National Breweries Plc owns or which others own and license to National Breweries Plc for use. In this report, the term 'Company' refers to National Breweries Plc, except as the context otherwise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

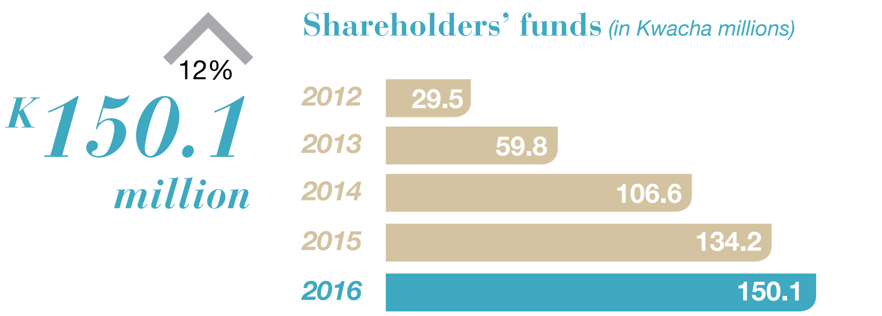
National Breweries Plc's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). References to IFRS hereafter should be construed as references to IFRS as issued by the IASB. Unless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

Financial Highlights

(In Kwacha thousands)	2012	2013	2014	2015	2016
Company turnover (Incl. excise duty)	276,098	374,176	429,068	431,154	491,978
Company revenue (Excl. excise duty)	249,373	337,470	393,618	397,799	456,983
Operating profit	55,194	52,598	73,050	43,064	26,940
Profit before income tax	54,708	52,381	73,588	43,708	53,797
Profit for the year	35,257	32,457	46,423	27,684	38,196
Total assets	79,969	134,508	227,163	325,553	457,348
Current liabilities	43,801	63,603	103,878	174,022	277,498
Shareholders' funds	29,514	59,794	106,612	134,193	150,054





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Business Review

'We have not relented in our quest to make calculated investments aimed at positioning the business for continued future growth.'

Valentine Chitalu
Chairman

Dear Shareholders,
In the face of the many economic challenges that characterised the year, the Company continued to consolidate its performance platforms to deliver sustained growth for the future. We delivered consistent results in our vital market categories, with Chibuku Super doing well.

During the year, we saw the departure of the Finance Director, Mr. Herman Lubbe. I would like to thank him for the excellent service he rendered during his time with the Company. Mr. Lubbe was replaced by Ms. Faith Mukutu and I would like to extend a hearty welcome to Faith. National Breweries Plc is very proud to have apointed a local Zambian to such a senior position.

Market Overview
The financial year 2016 was economically stormy. The slowdown in the Euro zone and in the Chinese economy has lowered the demand for copper thereby affecting the price of the metal unfavourably.

For countries whose economies are dependent on the export of raw commodities, this development posed a great challenge. Zambia witnessed the continued depreciation of the currency against major convertibles, continued power outages country wide, declining Gross Domestic Product (GDP) growth, escalating inflation which resulted in a sharp rise in prices of goods and services and a wave of political uncertainty.

The currency depreciation is of particular concern to us because we have a significant import bill for Shake Shake cartons in particular. We are, therefore, anxious that the policy measures that have been put in place will stabilise the local currency in the shortest time possible to make room for consistent business planning.

Strategic Review
We have not relented in our quest to make calculated investments aimed at positioning the business for continued future growth.

Our new state-of-the-art production facility is set to boost efficiency at the National Breweries Plc Lusaka plant. The U$30 million Lusaka plant is the most modern Chibuku plant in Africa and is the largest investment in Chibuku to date across the Continent. The development is part of our long-term investment plan and we aim to improve the product quality and production efficiency of the popular and affordable opaque beer brand.

This progress is, however, being severely jeopardised by a reluctance by Local Councils to enforce Statutory Instrument No. 72 of 2012 – the Liquor Licensing (Intoxicating Liquor) (Quantities and Packaging) Regulation, 2012, which bans the production, transport and sale of alcohol in bulk containers. The sale of such inferior opaque beer in illegal, unregulated and unhealthy bulk packaging has been a challenge to achieve competitive pricing of our product and hence has led to a loss of sales volume.

Corporate Governance
We have continued to be steadfast in observing a strict compliance culture with regard to sound corporate governance and I am pleased to report that we have maintained our record of nil significant breaches of corporate governance and anti-bribery codes that we have achieved over the last few years. This is on account of best management practices – practices, which are inclined towards enhancing confidence with investors and regulators, with increased transparency and corporate responsibility.

Future Prospects
The outlook for the Zambian economy remains uncertain in the short term. Despite the erosions in GDP, Consumer Price Index and exchange rate measures, we remain confident in the growth prospects of Zambia's economy especially in the post-election period.

A significant risk to the imminent growth in Zambia's import-leaning economy is the deterioration in the Kwacha exchange rate. The imported inflationary pressure could result in further price increases that would adversely affect the cost of doing business in the Country. The effect from the latter will invariably result in a higher cost of living for the ordinary citizen.

We are, however, optimistic that through Government's continued investment in strategic infrastructure projects, economic activity will be spurred. For our business, this is good news as improved economic performance will counter inflationary price increases through wealth generation that will invariably lead to increased disposable income and stronger buying power.

Chairman

Managing Director's Report

'The U$30 million Lusaka plant is the most modern Chibuku plant in Africa and is SABMiller Africa's largest investment in Chibuku to date across the Continent.'

Annabelle Degroot
Managing Director

The 2016 financial year has been characterised by a challenging environment coupled with our determined focus on growth by building capacity and consumer value. The first quarter of the financial year saw our new state-of-the-art Lusaka Plant come online after a difficult commissioning period. This was a pivotal event in the Company's history and I am hopeful that this marks a turning point in our production efficiencies and supply constraints.

In spite of the tough economic conditions, with the new plant on-stream, the business saw strong volume growth in the second and third quarters of the year, with particularly strong growth in our premium Chibuku Super (Super) product until December.

With the depreciation in the Kwacha, which led to significant margin erosion, we were forced to increase the price of our products which resulted in a significant slowdown in volumes in the fourth quarter of the year. We have been continually reminded of the price sensitivities in our market during the year and in fact decided to roll back the price of Super in late March.

Total volumes grew by 5% during the year. This was driven by a 74% increase in Super volumes on the prior year, offset by a 6% decline in Shake Shake carton volumes.

Sales environment
It has been a challenge to achieve competitive pricing of our products in the face of selective implementation of SI No. 72 of 2012 – The Liquor Licensing (Intoxicating Liquor) (Quantities and Packaging) Regulation, 2012, by the responsible Local Councils across the Country. The large scale and unregulated sale of sub-standard bulk opaque beer across the country makes it very hard for legitimate businesses such as ours to compete on a level playing field. Further, the poor quality of this product contributes significantly to alcohol related social ills which ultimately further damages the reputation of the total opaque beer category. The non-payment of tax by most of these entities means that Government looks increasingly to the legitimate businesses to raise revenue.

Performance
Profit before income tax for the year was K53.68 million, up 23% on the prior year. This was achieved due to the strong volume growth of our premium Super brand delivering an improved product mix.

The new plant, enhancement in manufacturing processes, plant upgrades elsewhere and overhead cost management have helped drive the good results. While efficiencies have also been realised through a reduction in the total cost of distribution and fixed cost control, our profitability and margins remain under pressure as a result of the foreign exchange currency impact on the cost of importing raw materials associated with packaging.

The currency depreciation was mitigated to some extent by our currency hedging strategy, but margins started to come under strain in the last quarter as volumes dropped and our forward position began to unwind.

Power supply issues continued to be a problem that was met with the use of back-up generator power at an additional cost to our business. However, this also prompted us to continue our drive to ensure energy efficiencies.

Investment

With the new Brewery online, our annual total Chibuku production from Lusaka will more than double to 2.1 million hectolitres from the current 1 million. This has the potential to encourage further growth of our value chains, as increased inputs will be required in our production process. However, the significant increase in the sale of illegal bulk opaque beer during the period has impacted our Shake Shake volumes significantly and has placed this investment in Lusaka at risk.

Management

We remain consistent in the management of our human capital with key indicators continuing to be stable and processes becoming entrenched. Our Human Resources operating model continues to serve the business well.

While remaining focused on delivering our goals, management continues to prepare staff for the recently announced takeover of our majority shareholder by Anheuser-Busch InBev.

Outlook

The outlook for the Zambian economy remains uncertain. Despite the progress we have made in terms of the new plant, the outlook for National Breweries Plc does not remain without difficulties. The business operates in a highly competitive and particularly price-sensitive market for its products. These factors combined with the significant increase in foreign currency denominated packaging continue to erode margins. We are responding to this challenge and will strategically review all aspects of the business.

A. Degroot

Managing Director

Above Locally sourced raw materials in our production contribute to the sustainability of the value chain and national economic development.

Board of Directors

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1. **VALENTINE CHITALU** | Valentine (51) 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 and holds a Master's Degree in Development Economics.

2. **ANNABELLE DEGROOT** | Annabelle (43) 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 a Fellow of ZICA.

3. **GEORGE SOKOTA** | George (68) 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.

4. **FAITH MUKUTU** | Faith (35) 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.

5. **WAYNE McCAULEY** | Wayne (52) 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 Central and Isando Regions, before moving to Ohio, USA as General Manager-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.

6. **BRIAN HIRSCH** | Brian (40) 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.

7. **LUCIA ADELE SWARTZ** | Lucia (58) 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.

8. **HERMAN LUBBE** | Herman (44) was appointed as Finance Director to the Board in March 2015 and later resigned in November 2015 to take up a position with SABMiller Africa (PVT) Ltd. He has been with the SABMiller Plc companies since 1998 in various senior finance roles including regional roles, support to supply chain and manufacturing and business decision support. He has a background in the soft drinks and beer businesses with 19 years' experience in financial management. Herman holds a Bachelor of Commerce, Hons., Accounting from the University of Pretoria as well as ACMA and CGMA qualifications.

Executive Committee


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1. **ANNABELLE DEGROOT - MANAGING DIRECTOR** | Annabelle (43) 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 a Fellow of ZICA.

2. **FAITH MUKUTU - FINANCE DIRECTOR** | Faith (35) 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.

3. **FRANZ SCHEPPING - TECHNICAL DIRECTOR** | Franz (41) 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 Mio 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.

4. **NYANGU KANYAMBA - HUMAN RESOURCES DIRECTOR** | Nyangu (48) joined Zambian Breweries Plc in 2004 as Executive Trainee - Human Resources. She was appointed Human Resources Manager South in 2005 and has worked as Human Resources Director. from 2007 to date. 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.

5. **DARRYL HASKIS - SALES AND DISTRIBUTION DIRECTOR** | Darryl (50) was appointed Sales and Distribution Director on 1 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.

6. **THOMAS KAMPHUIS- MARKETING DIRECTOR** | Thomas, (39) 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 14years' 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.

7. **EZEKIEL SEKELE- CORPORATE AFFAIRS DIRECTOR** | Ezekiel (45 years) 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.

8. **HERMAN LUBBE - FINANCE DIRECTOR** | Herman (44) was appointed as Finance Director to the Board in March 2015 and later resigned in November 2015 to take up a position with SABMiller Africa (PVT) Ltd. He has been with the SABMiller Plc companies since 1998 in various senior finance roles including regional roles, support to supply chain and manufacturing and business decision support. He has a background in the soft drinks and beer businesses with 19 years' experience in financial management. Herman holds a Bachelor of Commerce, Hons., Accounting from the University of Pretoria as well as ACMA and CGMA qualifications.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2016, which disclose the state of affairs of National Breweries Plc (the "Company").

Principal activities

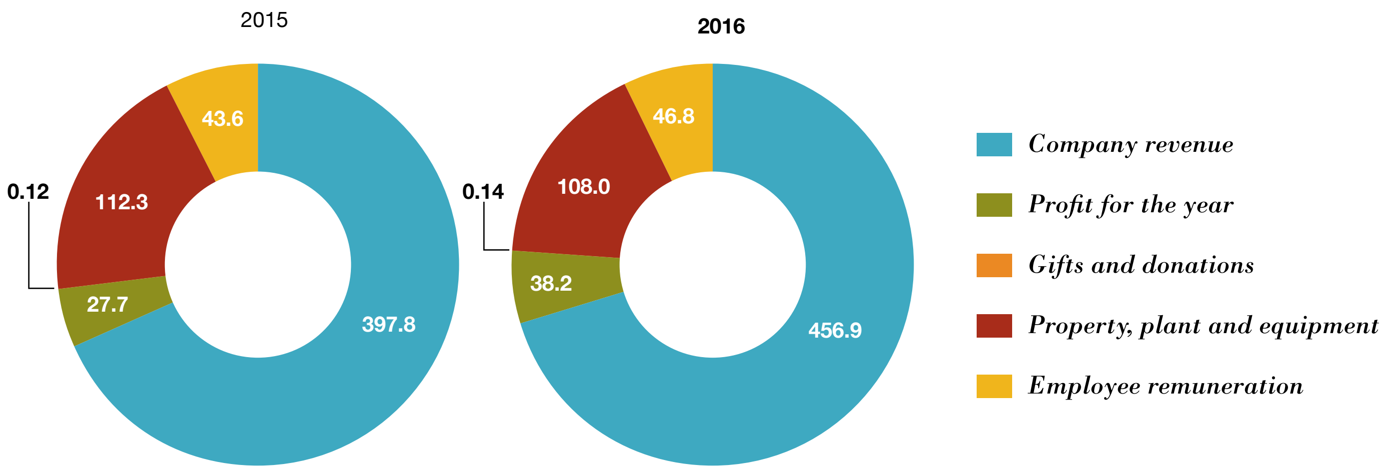
The principal activity of the Company continued to be the production, packaging, distribution and sale of traditional beverages.

In the opinion of the directors, all the activities of the Company substantially fall within the same industry categorisation.

Share capital

The authorised share capital of the Company remained unchanged at 75,000,000 ordinary shares of K 0.01 each, of which 63,000,000 are issued and fully paid.

Operations overview *(in Kwacha millions)*



Results and dividends

	2016 K million	2015 K million
Revenue	456,983	397,799
Profit for the year	38,196	27,684

The net profit for the year has been added to retained earnings. During the year, the Company paid an interim dividend of K0.26 per share (2015: Nil). The total dividend paid during the year was K16.6 million (2015: Nil). The Directors do not recommend payment of a final dividend (2015: Nil).

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		
Brian Hirsch	Non - Executive Director		
Wayne McCauley	Non - Executive Director		
Faith Mukutu	Finance Director	Appointed	16 November 2015
Herman Lubbe	Finance Director	Resigned	16 November 2015
Lucia Swartz	Non - Executive Director	Appointed	31 January 2016

Average number and remuneration of employees

The total remuneration of employees during the year amounted to K 46.8 million (2015: K 43.6 million) and the average monthly number of employees during the year was as follows:

Month	Number	Month	Number
April	702	October	710
May	694	November	708
June	692	December	711
July	690	January	721
August	701	February	715
September	702	March	760

Gifts and donations

During the year, the Company made donations of K149,462 (2015: K 124,921) to various charitable organisations and events.

Exports

The Company did not export any products during the year (2015: Nil).

Property, plant and equipment

The Company purchased property, plant and equipment amounting to K 108.0 million (2015: K 112.3 million) during the year.

In the opinion of the Directors, the carrying value of property, plant and equipment is not more than their recoverable value.

Research and development

The Company did not incur any research and development costs in the year (2015: 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.

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.

Deborah Bwalya
Company Secretary

27th May 2016

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Corporate Governance and Sustainable Development

'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.'

Deborah Bwalya
Company Secretary

During the period under review the Company was 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.

The 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 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.

Communicating with our Stakeholders

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

Our Corporate Affairs Department 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 and senior management conducts an investor briefing bi-annually.

Our Board

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 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 Auditor 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 Managing Director are clearly set out in a formal Chart 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.

Board Meetings

Member	28th May 2015	17th November 2015	19th February 2016
Valentine Chitalu	√	√	√
George Sokota	√	√	√
Wayne McCauley	√	√	√
Brian Hirsch	√	√	√
Lucia Swartz***			√
Herman Lubbe*	√		
Annabelle Degroot	√		√
Faith Mukutu**		√	√

Audit Committee Meetings

Member			
George Sokota (Chairman)	√	√	√
Brian Hirsch	√	√	√
Luiza Moreira			

* Resigned 16th November, 2016 ** Appointed 16th November, 2016 *** Appointed 31st January, 2016

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. The "Tip-Offs Anonymous" 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 Assessments

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. Departmental 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.

Key Performance Indicators and Manufacturing Way

KPIs constitute a measurable value that demonstrates how effectively a company is achieving key business objectives which are linked to organisational strategy, mission, vision and values.

A KPI must be Specific, Measurable, Achievable, Relevant and Time phased (SMART): it has a Specific purpose for the business, it is Measurable to obtain the value of the KPI, the defined norms have to be Achievable, the improvement of a KPI has to be Relevant to the success of the organisation, and finally it must be Time phased, and the value or outcomes are shown for a pre-defined and relevant period.

The Technical Director, Technical Team and Plant Managers define KPIs for our 5 pillars: Productivity, Quality, Cost, Delivery and Morale, and challenging targets based on last year results. These KPIs are linked to a 5 year plan. KPIs and targets are rolled out to ensure alignment across the business.

Excellence in the 'Manufacturing Way' implementation is achieved through excellence in business processes that lead to improvements in business results and all 'Manufacturing Way' work practices are focused to obtain desired results and continuous improvement.

Occupational Health, Safety and Environment

The Company also ensures that it maintains independent certification from the Zambia Bureau of Standards for its manufacturing operations.

Company Secretary

Above Manja Pamodzi recycling project district clean-up. ***Right*** State-of-the-art laboratory at the new Lusaka plant.

National Breweries Plc takes a 'triple bottom line' approach to its sustainability policies and programmes and is committed to ensuring a positive social, environmental and economic impact.

'Manja Pamodzi is a community waste recycling initiative that is cleaning-up parts of Lusaka and creating new business opportunities, particularly for women, through an innovative public private partnership.'

Policy

The Company's sustainability development ideology is built upon the notion that the decisions made today should not adversely affect the capacity of future generations to build meaningful livelihoods. We believe this is a fundamental aspect of sound business management.

At the core of the National Breweries Plc sustainability development agenda is the Prosper strategy through which the Company seeks to achieve five imperatives:

1. **Accelerate growth and social development across our entire value chain**
2. **Endeavour to make our products the natural choice for the moderate and responsible drinker**
3. **Secure shared water resources for our business and local communities**
4. **Create value through the reduction of waste and carbon emissions**
5. **Support responsible, sustainable use of land for brewing crops.**

Social Investment

National Breweries Plc is constantly strengthening its commitment to social investment. The Company is relentlessly supporting worthy causes, organisations and charities aimed at poverty alleviation and societal responsibility.

Responsible drinking – This is a key part of the Company's strategy, which highlights the dangers of underage drinking and campaigns to stop drink-driving. The Company embarked on a campaign to encourage responsible drinking among those of legal age and to discourage underage consumption of alcohol, and drinking during pregnancy. In particular, representatives of the Company, along with popular musicians, visited schools to sensitise young people about the issues. In promoting responsible alcohol consumption, the Company has also partnered with the Road Traffic and Safety Agency in the enforcement of legislation on drinking and driving.

Further, we engaged the key Councils at Lusaka, Ndola, Mufulira and Kitwe. Actual enforcements were done in Ndola and this is expected to be rolled out to other towns.

Skills development – Small shopkeepers and bar owners are benefitting on a new initiative that aims to give them the skills to grow their businesses. The Mayo Mpapa Retailer Development Programme gives entrepreneurs an opportunity to expand their capacity and improve their output significantly. The programme is aimed at developing and nurturing small retailers and taverns through targeted skills development in order to create an enabling environment for small businesses within urban and peri-urban areas across the Country.

The programme is composed of four major modules. These include personal money management, basic business skills, running my beer business and responsible retailing and environmental awareness.

A total of 20 retailers were trained during the period.

Environmental Conservation

Global warming poses unique and potentially high risks and challenges to the environment. The stewardship of the environment in which National Breweries Plc operates is a responsibility the Company takes extremely seriously.

Waste Management – Manja Pamodzi is a community waste recycling initiative that is cleaning-up parts of Lusaka and creating new business opportunities, particularly for women, through an innovative public private partnership. The project is helping to clean up post-consumer packaging waste in Lusaka, improving sanitation and hygiene as a result by supporting a network of collectors and aggregators, thus generating enterprise and alleviating poverty. It is supported by the Company in partnership with the Lusaka City Council and others.

The initiative gained momentum during the period with three projects launched in the Ng'ombe, Chawama and Matero areas by year end.

Economic Contribution

Employment – Only 43% of Zambia's population is in paid employment, about the same as the 43.1% in 2010. Against this background, the Company believes businesses are the engine of job creation, market development and economic growth. Yet in a number of communities, people - especially women - face the challenges of unemployment, lack of access to markets and sometimes basic services. The decisions of businesses can help shape their futures positively.

National Breweries Plc is committed to empowering individuals in the communities in which it operates. It shares with society the opportunity to build a thriving world where incomes and quality of life are growing. Therefore, the Company has a shared imperative to accelerate growth and social development through its value chains.

Agricultural support – National Breweries Plc is one of the largest business partners and employers in many rural areas. National Breweries Plc actively promotes the procurement of locally produced raw materials from rural farmers, resulting in poverty alleviation and sustainable development of these rural economies.

A total of 40,000 tonnes of maize is bought from small-scale farmers for use in the production of our Chibuku Super. The Company is committed to expanding its sourcing from smallholders in a way that generates commercial value for the business and also improves the lives of those in the communities in which it operates through job creation and economic empowerment.

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1. Manja Pamodzi aggregator, Henry Kalolo, with a collector at our Ng'ombe centre.

2. Members of the community who are being impacted by Manja Pamodzi through their involvement as collectors and aggregators.

Statement of Directors' Responsibilities

The Zambian 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 Zambian 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 are also responsible for such internal control, as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, 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 this statement.

Signed on their behalf by:

Valentine Chitalu Chairman	Annabelle Degroot Managing Director

27th May 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NATIONAL BREWERIES PLC

Report on the financial statements

We have audited the accompanying financial statements of National Breweries Plc as set out on pages 22 to 55. These financial statements comprise the statement of financial position as at 31 March 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of National Breweries Plc at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Zambian Companies Act.

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

Report on other legal and other regulatory requirements

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

6 June 2016

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

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

		Year ended 31 March	
	Notes	**2016**	**2015**
Revenue	5	456,983	397,799
Cost of sales		(317,040)	(262,727)
Gross profit		139,943	135,072
Other operating expense	6	(5,648)	(3,523)
Distribution costs		(67,845)	(53,587)
Administrative expenses		(39,510)	(34,898)
Operating profit		26,940	43,064
Finance income	9	27,315	825
Finance costs	9	(458)	(181)
Finance income - net		26,857	644
Profit before income tax		53,797	43,708
Income tax expense	10	(15,601)	(16,024)
Profit for the year		38,196	27,684
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge	10	(5,474)	292
Other comprehensive income for the year, net of tax		(5,474)	292
Total comprehensive income for the year		32,722	27,976
Earnings per share for profits attributable to the equity holders of the Company			
-basic and diluted (Kwacha per share)	11	0.61	0.44

The notes on pages 26 to 55 are an integral part of these financial statements.

Statement of Financial Position

For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

		As at 31 March	
	Notes	**2016**	**2015**
Capital and reserves attributable to the Company's equity holders			
Share capital	13	630	630
Hedge reserve	14	(5,474)	292
Retained earnings		154,898	133,271
Total equity		150,054	134,193
Non-current liabilities			
Deferred income tax	15	29,796	17,495
Total equity and non-current liabilities		179,850	151,688
Non-current assets			
Property, plant and equipment	16	311,019	220,511
Intangible assets	17	666	1,278
		311,685	221,789
Current assets			
Inventories	18	56,857	39,166
Trade and other receivables	19	28,898	33,361
Current income tax	10	5,183	-
Derivative financial asset	20	-	449
Cash and cash equivalents	21	54,725	30,945
		145,663	103,921
Current liabilities			
Trade and other payables	22	269,076	167,887
Current income tax	10	-	6,135
Derivative financial liability	20	8,422	-
		277,498	174,022
Net current liabilities		(131,835)	(70,101)
		179,850	151,688

The notes on pages 26 to 55 are an integral part of these financial statements.

The financial statements on pages 22 to 55 were approved for issue by the Board of Directors on 27 May 2016 and signed on its behalf by:

Valentine Chitalu
Chairman

Annabelle Degroot
Managing Director

Statement of Changes in Equity

For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

	Note	Share capital	Retained earnings	Hedge reserve	Total
Year ended 31 March 2015					
At start of year		630	105,587	395	106,612
Comprehensive income					
Profit for the year		-	27,684	-	27,684
Reclassification to profit and loss		-	-	(395)	(395)
Other comprehensive income for the year	14	-	-	292	292
Total comprehensive income for the year		-	27,684	(103)	27,581
At end of year		630	133,271	292	134,193
Year ended 31 March 2016					
At start of year		630	133,271	292	134,193
Comprehensive income					
Profit for the year		-	38,196	-	38,196
Reclassification to profit and loss		-	-	(292)	(292)
Other comprehensive income for the year	14	-	-	(5,474)	(5,474)
Total comprehensive income for the year		-	38,196	(5,766)	32,430
Transactions with owners					
Dividends paid	12	-	(16,569)	-	(16,569)
Total transactions with owners		-	(16,569)	-	(16,569)
At end of year		630	154,898	(5,474)	150,054

The notes on pages 26 to 55 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	24	150,410	129,902
Interest received	6	557	809
Interest paid (arising on operating financing)	9	(458)	(181)
Income tax paid	10	(11,513)	(15,985)
Net cash generated from operating activities		138,996	114,545
Cash flows from investing activities			
Purchase of property, plant and equipment		(107,970)	(112,340)
Proceeds from sale of property, plant and equipment		1,593	2,249
Purchase of intangible assets		-	-
Net cash used in investing activities		(106,377)	(110,091)
Cash flows from financing activities			
Dividends paid to shareholders		(16,569)	-
Net cash used in financing activities		(16,569)	-
Net (decrease)/ increase in cash and cash equivalents		16,050	4,454
Movement in cash and cash equivalents			
At start of the year		30,945	25,666
Increase in cash and cash equivalents		16,050	4,454
Exchange differences in cash and cash equivalents		7,730	825
At end of the year	21	54,725	30,945

The notes on pages 26 to 55 are an integral part of these financial statements.

1 General information

National 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
P.O. Box 31293
Lusaka
Zambia.

For the Zambian 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 4.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

Amendment to Basis of Conclusion - Revaluation of land in Zambia: An update has been issued by the Zambia Institute of Chartered Accountants (ZICA) where it has ruled that land will be classified as property, plant and equipment and should be measured using either the cost or revaluation model as per IAS 16 Property, Plant and Equipment.

The previous ZICA guidance on Land was that the legal form of land ownership, as stated in the land title documents with the Government of the Republic of Zambia, was not vested in the Company. Based on this guidance, on initial recognition, the cost of land was previously recognised by a Company as a prepaid operating lease, and amortised over the lease period. Further, because land was previously recognised as a prepaid operating lease, recognition of revaluation gains or losses on land in a Company's financial statements was not permitted both at time of initial recognition or subsequently.

The Company has applied the Amendment to Basis of Conclusion - Revaluation of land in Zambia for the year ended 31 March 2016 and the impact on the financial statements is immaterial.

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

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

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles. These are effective on or after 1 January 2015:

- IFRS 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.
- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.

The adoption of the improvements made in the 2010-2012 Cycle did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Company also elected to adopt the following amendment early which is effective for the periods beginning 1 January 2016:

Disclosure Initiative: Amendments to IAS 1. The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

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

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

Following the changes approved by the IASB in July 2014, the Company no longer expects any impact from the new classification, measurement and de-recognition rules on the Company's financial assets and financial liabilities. There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

The standard is effective for accounting periods beginning on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

IFRS 15, 'Revenue from contracts with customers' is a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 January 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules. At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months.

The standard is effective for annual periods beginning on or after 1 January 2017. The expected date of adoption by the Company is 1 January 2017.

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

Continued

For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

(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).

2 Summary of significant accounting policies (continued)

(d) 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, containers & vehicles	1.5 – 20 years
Furniture and fittings	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.

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.

(e) Intangible assets

Computer software

Computer software is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Directly attributable costs that are capitalised as part of computer software include an approximate portion of overheads. The computer software is amortised over its useful life of 4 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(f) Impairment of non-financial assets

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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Notes

Continued

For the year ended 31 March 2016

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

2 Summary of significant accounting policies (continued)

(g) 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 of financial assets

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit and loss.

2 Summary of significant accounting policies (continued)

(h) 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 3. 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
Continued
For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

(i) 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 using the standard cost method less provision for impairment. The cost of engineering spares is determined using the weighted average cost method less provision for impairment. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It 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.

(j) Trade receivables

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

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

(k) 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.

(l) Share capital

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

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

(m) Trade and other payables

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

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

2 Summary of significant accounting policies (continued)

(n) Current and deferred income tax

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

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 income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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 either 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.

(o) 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 Authority 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.

Notes
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For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

2 Summary of significant accounting policies (continued)

(p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), excise duty 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 the Company's activity as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 customers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(q) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders. Proposed dividends are shown as a separate component of equity until declared.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price 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, which is organised in line with risk management policies of SABMiller Plc, the ultimate parent Company.

Financial risk management is carried out by the Finance Department and SABMiller Plc., 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 price risk.

(i) Foreign exchange risk

The Company imports certain raw materials and services and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), the Euro (EUR) and the South African Rand (ZAR). Foreign exchange risk arises from bank balances and recognised liabilities**.**

Management has set up a policy to require the Company to manage its foreign exchange risk against the Company's functional currency. The Company is required to hedge 95% of its foreign exchange risk exposure with the SABMiller Group Treasury. The Company uses forward contracts to manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

The Group Treasury's risk management policy is to hedge between 60% and 95% of anticipated cash flows (mainly purchase of inventory) in each major foreign currency for the subsequent 6 months. Approximately 95% (2015: 95%) of projected purchases in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

At 31 March 2016, if the currency had weakened/strengthened by 13% (2015: 6%) against the USD with all other variables held constant, post-tax profit for the year and shareholder equity would have been K0.7 million (2015: K2.8 million) higher/lower, mainly as a result of USD denominated forward contracts, trade payables and bank balances.

At 31 March 2015, if the currency had weakened/strengthened by 13% (2015: 4%) against the EUR with all other variables held constant, post tax profit for the year and shareholder equity would have been K4.1 million (2015: K1.5 million) lower/higher, mainly as a result of EUR denominated forward contracts, trade payables and bank balances.

At 31 March 2016, if the currency had weakened/strengthened by 10% (2015: 4%) against the ZAR with all other variables held constant, the impact on post tax profit for the year and shareholder equity would have been immaterial (2014: immaterial).

(ii) Interest rate risk

There were no significant exposures arising from interest rate risk as at year end.

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For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk

The Company is not exposed to commodity price risk.

(b) Credit risk

Credit risk arises from cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to distributor customers. The Company only banks with reputable well established financial institutions. Banks in Zambia have no external rating. The Company's main credit risk therefore comes from its exposure to trade and other receivables mainly arising from balances outstanding from its distributors 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.

All receivables that are neither past due nor impaired are within their approved credit limits. 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 can be assessed by reference to historical information about counterparty default rates. All receivables from related parties are with parties that the Company has a history of trading with and there has been no history of default. No collateral is held for any of the assets.

The following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced) are past due but not impaired:

	2016	**2015**
Past due but not impaired:		
- by up to 30 days	233	103
- by more than 31 to 60 days	373	53
- above 60 days	25	30
Total past due but not impaired	631	186
Impaired	141	188
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	141	188
Provision for impairment loss	(141)	(188)
Net carrying amount	-	-

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

3 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines. Exposure in this aspect is limited as the Company is purely a cash business.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

	Less than 3 months	Between 3 months and 1 year	Total
At 31 March 2016			
Trade and other payables (excluding statutory liabilities and dividends)	72,613	163,788	236,401
At 31 March 2015			
Trade and other payables (excluding statutory liabilities and dividends)	37,604	107,753	145,357

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

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

During 2016 the Company's strategy, which was unchanged from 2015, was to maintain a gearing ratio less than 50%. As at 31 March 2016 and 31 March 2015, the Company had no borrowings.

(e) 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).

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For the year ended 31 March 2016
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3 Financial risk management (continued)

(e) Fair value estimation (continued)

The following table presents the group's financial assets and liabilities that are measured at fair value.

At 31 March 2016

Liabilities	**Level 2**
Financial liabilities at fair value through profit or loss	
– Trading derivatives	8,422
Total Assets	8,422

At 31 March 2015	**Level 2**
Assets	
Financial assets at fair value through profit or loss	
– Trading derivatives	449
Total Assets	449

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; and
- 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.

4 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Exposure arising on tax assessments

The Company is subject to tax exposures. In determining the level to provide for, the Directors have to make an estimate of the likely outcome of discussions with the tax authorities and therefore probability of loss.

5 Segment information

The Executive Committee is the Company's chief operating decision-maker. The 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 Executive Committee has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The board considers the activities of the Company to substantially fall within the same product range and within 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 did not incur any non-recurring expenditure and therefore does not adjust EBITA.

Notes
Continued
For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

5 Segment information (continued)

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

	2016	2015
Revenue from external customers	456,983	397,799
EBITA	54,310	43,693
Interest income	557	809
Interest expense	(458)	(181)
Amortisation	(612)	(613)
Income tax expense	(15,601)	(16,024)
Profit for the year	38,196	27,684
Total Assets	457,348	325,710
Total Liabilities	307,294	191,517

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a measure consistent with that of the financial statements.

There were no customers during the year whose revenue accounts for more than 10% of the entity's total revenue.

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

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

The result of its revenue from external customers in Zambia is K457.0 million (2015: K397.8 million). There was no revenue from external customers from other countries (2015: Nil). All non-current assets are located in Zambia.

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

6 Other operating (expenses) / income

	2016	2015
Net foreign exchange loss other than on borrowings and cash and cash equivalents	(6,332)	(4,573)
Interest income	557	809
Other income	-	67
Profit on disposal of property, plant and equipment	127	174
	(5,648)	(3,523)

7 Expenses by nature

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

	2016	2015
Raw materials and consumables used	261,989	209,037
Employee benefits expense (Note 8)	46,827	43,649
Depreciation on property, plant and equipment (Note 16)	15,996	12,035
Amortisation of intangible assets (Note 17)	612	613
Royalties	13,709	11,936
Auditor's remuneration	331	301
Provision for inventory write down	1,082	59
Transport expenses	32,556	32,008
Maintenance costs	13,154	13,790
Other expenses	38,139	27,784
Total cost of sales, distribution costs and administrative costs	424,395	351,212

8 Employee benefits expense

The following are included within the employee benefits expense:

	2016	2015
Salaries and wages	43,735	41,084
Defined contribution scheme – NAPSA and Saturnia	3,092	2,565
	46,827	43,649

9 Finance income and costs

	2016	2015
Finance income		
Foreign exchange gain on cash and cash equivalents	27,315	825
Finance costs		
Interest expense:		
- Overdrafts	(458)	(181)
Finance income - net	26,857	644

Notes

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For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

10 Income tax

	2016	**2015**
Current income tax	195	15,409
Deferred income tax (Note 15)	1,214	1,082
Impairment of ZDA benefit	14,192	-
Prior year deferred tax over provision	-	(417)
Prior year current tax over provision	-	(50)
Income tax expense	15,601	16,024

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:

	2016	**2015**
Profit before income tax	53,797	43,708
Tax calculated at the statutory income tax rate of 35% (2015: 35%)	18,829	15,298
Income not subject to tax	(19,077)	-
Over provision in current tax from prior years	-	(50)
Over provision in deferred tax	-	(417)
Impairment of ZDA benefit	14,192	-
Expenses not deductible for tax purposes	1,657	1,193
Income tax expense	15,601	16,024

Current income tax movement in the statement of financial position

	2016	**2015**
At start of the year	6,135	6,761
Charge for the year	195	15,409
Prior year over provision	-	(50)
Payments	(11,513)	(15,985)
At end of the year – (asset)/liability	(5,183)	6,135

Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 31 March 2003. A self-assessment system for income tax was introduced for periods subsequent to 31 March 2003. Income tax returns have been filed with the ZRA for the years up to 31 March 2016. Quarterly tax payments for the year ended 31 March 2016 were made on the due dates during the year.

10 Income tax (continued)

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

	2016		
	Before tax	**Tax credit**	**After tax**
Cash flow hedge	(8,422)	2,948	(5,474)
Other comprehensive loss	(8,422)	2,948	(5,474)
Current income tax	-	-	-
Deferred income tax (Note 15)	-	2,948	-

	2015		
	Before tax	**Tax (charge)**	**After tax**
Cash flow hedge	449	(157)	292
Other comprehensive income	449	(157)	292
Current income tax	-	-	-
Deferred income tax (Note 15)	-	(157)	-

11 Earnings per share

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

	2016	**2015**
Profit attributable to equity holders of the Company	38,196	27,684
Weighted average number of ordinary shares in issue ('000s)	63,000	63,000
Basic earnings per share (K)	0.61	0.44

There were no potentially dilutive shares outstanding at 31 March 2016 or 2015. Diluted earnings per share are therefore the same as basic earnings per share.

12 Dividends per share

At the next Annual General Meeting, the Directors do not intend on proposing payments of final dividend in respect of the year ended 31 March 2016 (2015: Nil).

Interim dividends of K16.6 million (K0.26/share) were paid during the year (2015: Nil) relating to results as at 30 September 2015.

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

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For the year ended 31 March 2016
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13 Share capital

	Number of shares (Thousands)	Ordinary shares K'000
Balance as at 1 April 2014, 31 March 2015 and 31 March 2016	63,000	630

The total authorised number of ordinary shares is 75 million with a par value of K 0.01 per share.

The total issued number of ordinary shares is 63 million with a par value of K 0.01 per share. All issued shares are fully paid.

14 Hedge reserve

	Cash flow hedge
Year ended 31 March 2015	
At start of the year	395
Transfers to cost of sales	(608)
Tax on transfers to cost of sales	213
Fair value gains in year	449
Tax on fair value gains in year	(157)
At end of the year	292
Year ended 31 March 2016	
At start of the year	292
Transfers to cost of sales	(449)
Tax on transfers to cost of sales	157
Fair value loss in year	(8,422)
Tax on fair value loss in year	2,948
At end of the year	(5,474)

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

15 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 35% (2015: 35%). The movement on the deferred income tax account is as follows:

	2016	**2015**
At start of year	17,495	16,886
Deferred income tax charge	1,214	1,082
Impairment of ZDA benefit	14,192	-
Tax charge/ (credit) relating to other comprehensive income	(2,948)	157
Tax charge reclassified to profit or loss	(157)	(213)
Prior year over provision in deferred tax	-	(417)
At end of year	29,796	17,495

Deferred income tax liabilities and deferred income tax charge in profit or loss are attributable to the following items:

Year ended 31 March 2016

	1.4.2015	**Charged/ (credited) to P/L**	**Charged to OCI**	**Current tax on items reclassified to P&L**	**31.03.2016**
Deferred income tax liabilities					
Property, plant and equipment	18,649	13,258	-	-	31,907
Hedging instrument	157	-	-	(157)	-
	18,806	13,258	-	(157)	31,907
Deferred Income tax assets					
Other deductible temporal differences	(1,311)	1,311	-	-	-
Hedging instrument	-	-	(2,948)	-	(2,948)
Tax loss	-	(13,355)	-	-	(13,355)
	(1,311)	(12,044)	(2,948)	-	(16,303)
ZDA impairment provision	-	14,192	-	-	14,192
Net deferred income tax liability	17,495	15,406	(2,948)	(157)	29,796

Notes
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For the year ended 31 March 2016
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15 Deferred income tax (continued)

Year ended 31 March 2015

	1.4.2014	Charged to profit and loss	Charged to other OCI	Current tax on items reclassified to profit and loss	31.03.2015
Deferred income tax liabilities					
Property, plant and equipment	16,363	2,286	-	-	18,649
Hedging instrument	213	-	157	(213)	157
Unrealised forex losses	310	(310)	-	-	-
	16,886	1,976	157	(213)	18,806
Deferred income tax assets					
Other deductible temporary differences	-	(1,311)	-	-	(1,311)
Net deferred tax liability	16,886	665	157	(213)	17,495

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

16 Property, plant and equipment

	Buildings	Plant, containers and vehicles	Furniture and Fittings	Capital work in progress	Total
At 1 April 2014					
Cost	13,382	104,417	7,344	53,681	178,824
Accumulated depreciation	(5,485)	(45,440)	(5,618)	-	(56,543)
Net book amount	7,897	58,977	1,726	53,681	122,281
Year ended 31 March 2015					
Opening net book amount	7,897	58,977	1,726	53,681	122,281
Additions	-	3,867	32	108,441	112,340
Disposals	-	(2,075)	-	-	(2,075)
Transfers	902	19,834	30	(20,766)	
Depreciation charge	(602)	(10,633)	(800)	-	(12,035)
Closing net book amount	8,197	69,970	988	141,356	220,511
At 31 March 2015					
Cost	14,284	122,186	7,406	141,356	285,232
Accumulated depreciation	(6,087)	(52,216)	(6,418)	-	(64,721)
Net book amount	8,197	69,970	988	141,356	220,511
Year ended 31 March 2016					
Opening net book amount	8,197	69,970	988	141,356	220,511
Additions	-	4,384	-	103,586	107,970
Disposals	-	(1,466)	-	-	(1,466)
Transfers	66,222	147,408	966	(214,596)	-
Depreciation charge	(769)	(15,167)	(60)	-	(15,996)
Closing net book amount	73,650	205,129	1,894	30,346	311,019
At 31 March 2016					
Cost	80,506	276,368	8,372	30,346	395,593
Accumulated depreciation	(6,856)	(71,239)	(6,478)	-	(84,574)
Net book amount	73,650	205,129	1,894	30,346	311,019

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

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For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

17 Intangible assets

Computer software

	Software licenses
At 31 March 2014	
Cost	2,450
Accumulated amortisation	(559)
Net book amount	1,891
Year ended 31 March 2015	
Opening net book amount	1,891
Amortisation charge	(613)
At end of year	1,278
At 31 March 2015	
Cost	2,450
Accumulated amortisation	(1,172)
Net book amount	1,278
Year ended 31 March 2016	
Opening net book amount	1,278
Amortisation charge	(612)
At end of year	666
At 31 March 2016	
Cost	2,450
Accumulated amortisation	(1,748)
Net book amount	666

18 Inventories

	2016	2015
Raw materials	48,446	31,072
Work in progress	1,445	2,690
Finished goods	2,454	983
General stores and consumables	4,512	4,421
	56,857	39,166

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to K 262 million (2015: K 209 million).

At 31 March 2016, the provision made for inventory amounted to K0.6 million (2015: K2.9 million).

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

19 Trade and other receivables

	2016	2015
Trade receivables	2,932	1,301
Less: Provision for impairment losses	(141)	(188)
	2,791	1,113
Amount due from related parties (Note 25)	18,716	14,516
Prepayments and accrued income	5,408	9,944
Other receivables	1,983	7,788
	28,898	33,361

The carrying amount of trade and other receivables approximate their fair value.

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

	2016	2015
At start of the year	188	267
Provision for receivables impairment	-	200
Receivables written off during the year as uncollectible	(47)	(279)
At end of year	141	188

20 Derivative financial instruments

	2016	2015
Forward exchange contracts:		
(Liability)/Asset	(8,422)	449

The derivative financial instrument comprises forward foreign exchange contracts that are designated as hedging instruments and are considered as trading derivatives. Trading derivatives are classified as a current asset or current liability in the statement of financial position. The hedged item relates mostly to inventory purchases.

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

There was no ineffectiveness to be recorded from the cash flow hedges.

The notional principal amounts of the outstanding forward exchange contracts at 31 March 2016 were K38.3 million (2015: K 50.6 million).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (Note 14) on forward foreign exchange contracts as of 31 March 2016 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months of the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset.

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For the year ended 31 March 2016
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21 Cash and cash equivalents

	2016	2015
Cash at bank and in hand	54,725	30,945

22 Trade and other payables

	2016	2015
Trade payables	48,465	11,853
Amounts due to related companies (note 25)	175,025	114,662
Accrued expenses	10,346	9,165
Dividends payable	25,913	13,934
Other payables	9,327	18,273
	269,076	167,887

23 Financial instruments by category

	Loans and receivables
At 31 March 2016	
Assets as per the statement of financial position:	
Trade and other receivables	23,490
Cash and cash equivalents	54,725
	78,215

	Financial liabilities at fair value	Other financial liabilities at amortised cost
At 31 March 2016		
Liabilities as per the statement of financial position:		
Derivative financial instruments	8,422	-
Trade and other payables (excluding statutory liabilities)	-	236,401
	8,422	236,401

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

23 Financial instruments by category (continued)

At 31 March 2015	Financial assets at fair value	Loans and receivables
Assets as per the statement of financial position:		
Trade and other receivables	-	23,417
Derivative financial instruments	449	-
Cash and cash equivalents	-	30,945
	449	54,362

At 31 March 2015	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position:	
Trade and other payables (excluding statutory liabilities)	145,357

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets and liabilities measured at fair value are categorised in level 2.

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

24 Cash generated from operations

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

	2016	2015
Profit before income tax	53,797	43,708
Adjustments for:		
Interest income (Note 6)	(557)	(809)
Interest expense (Note 9)	458	181
Amortisation on computer software (Note 17)	612	613
Depreciation (Note 16)	15,996	12,035
Profit on sale of property, plant and equipment (Note 6)	(127)	(174)
Foreign exchange effect	(7,730)	(825)
Changes in working capital		
- Trade and other receivables	4,463	(391)
- Inventories	(17,691)	4,794
- Trade and other payables	101,189	70,770
Cash generated from operations	150,410	129,902

25 Related party transactions and balances

The Company is controlled by Heinrich's Syndicate Limited (incorporated in Zambia). The ultimate parent of the Company is SABMiller Plc (incorporated in England and Wales). There are other companies that are related to the Company through common shareholdings or common directorships.

The following were the transactions carried out and balances outstanding with related parties:

i) Interest on amounts from related parties	2016	2015
Fellow subsidiary:		
Zambian Breweries Plc	303	809

The amount receivable was unsecured and interest was charged based on the 182 treasury bill rates plus 200 basis points.

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

25 Related party transactions (continued)

ii) Purchase of goods and services

	2016	2015
Fellow subsidiaries:		
SABMiller	8	4,681
Mubex	53,833	40,056
Zambian Breweries Plc	-	68,291
Sabi - Africa	-	137
	53,841	113,165

Purchases from SABMiller are based on two long-term contracts for:

- The supply of management and technical services and technical assistance; and
- Licensing of know-how.

iii) Sale of goods and services

	2016	2015
Parent company:		
Heinrich's Syndicate Ltd	-	3,382
Fellow subsidiary:		
Chibuku Products Ltd	-	12
	-	3,394

iv) Royalties

	2016	2015
Fellow subsidiary:		
SABMiller International BV	13,709	11,936

Royalties are based on one long-term contract for the use of the Chibuku brand.

v) Management fees

	2016	2015
Fellow subsidiaries:		
SABMiller Management BV	5,337	5,621
Zambian Breweries Plc	-	7,353
SABMiller International BV	5,337	12,974

vi) Key management compensation

	2016	2015
Salaries and other short-term employment benefits	3,009	2,815

vii) Directors' remuneration

	2016	2015
Fees for services as a director (included in key management compensation above)	320	139

Notes
Continued
For the year ended 31 March 2016
(All amounts are in thousands of Kwacha unless otherwise stated)

25 Related party transactions (continued)

viii) Outstanding balances arising from sale and purchase of goods/services

	2016	2015
Amounts due from related parties		
Parent company:		
Heinrich's Syndicate Limited	18,534	14,334
Fellow subsidiary:		
Chibuku Products Limited	182	182
	18,716	14,516
Amounts due to related parties		
Fellow subsidiaries:		
Zambian Breweries Plc	163,788	107,753
Sabi – Africa	8	80
Mubex	7329	3,372
Sabmiller International BV	2,706	2,288
Bevman Services AG (Management fees)	1,195	1,169
	175,025	114,662

The receivables and payables to related parties are unsecured and interest is charged based on the Bank of Zambia lending rate at each month end payable and receivable monthly.

ix) Dividend payable

	2016	2015
Parent company:		
Heinrich's Syndicate Limited	23,825	12,228

26 Contingent liabilities

Legal proceedings

The Company is the subject of a number of legal claims relating primarily to employment issues. In the Director's opinion, after taking appropriate legal advice, the outcome of these claims will not give raise to any significant loss. The value of potential claims against the Company, which are not provided for, is K12.8 million (2015: K4.7 million).

27 Commitments

Capital commitments

The Company had capital commitments of K11.0 million (2015: K12.2 million). These relate to property, plant and equipment.

Principal Shareholders

	Name of shareholder	%	shares
1.	Heinrich Syndicate Limited	70.00	44,100,000
2.	Standard Chartered Securities Nominees Ltd	8.98	5,659,417
3.	Public Service Pension Fund	8.17	5,147,500
4.	Saturnia Regna Pension Trust Fund	2.75	1,735,177
5.	National Pension Scheme Authority	2.20	1,386,450
6.	Workers Compensation Fund Control Board	1.24	780,666
7.	Local Authorities Superannuation Fund	0.60	378,620
8.	SCBZ Nominees – BBZ Staff Pension Fund	0.44	275,446
9.	Mukuba Pension Trust Fund	0.40	250,000
10.	KCM Pension Trust Fund	0.34	214,217
	Total selected	**95.12**	**59,927,493**
	Not selected	**4.88**	**3,072,507**
	Issued shares	**100.00**	**63,000,000**

Distribution of shareholders

	Number of shareholders	%	Number of shares
Less than 500 shares	507	52.27	153,933
501 – 5,000 shares	377	38.87	698,752
5,001 – 10,000 shares	27	2.78	206,432
10,001 – 100,000 shares	37	3.81	1,034,004
100,001 – 1,000,000 shares	16	1.65	4,873,975
Over 1,000,000 shares	6	0.62	56,032,904
Total	**970**	**100.00**	**63,000,000**

Corporate Information

CHAIRMAN
V Chitalu

DIRECTORS
G Sokota
A Degroot
B Hirsch
W McCauley
H Lubbe
F Mukutu

COMPANY SECRETARY
D Bwalya

REGISTERED OFFICE
Plot No 1609
Sheki Sheki Road
Light Industrial Area
P O Box 35135
Lusaka

LEGAL ADVISORS
William Nyirenda & Co
Angoni House
Obote Avenue
P O Box 22144
Kitwe

MNB Legal Practitioners
5th Floor, Godfrey House
Longolongo Road
P O Box 34207
Lusaka

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

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

REGISTRARS
Corpserve Transfer Agents Ltd
6 Mwaleshi Road
Olympia Park
Lusaka

Profile

Founded	:	1952
Listed	:	1994
Year End	:	March 31

SECTOR
Consumer goods (Beverage Industry)

NATURE OF BUSINESS
Production and distribution of opaque beer

MANAGING DIRECTOR
Annabelle Degroot

FINANCE DIRECTOR
Herman Lubbe

COMPANY SECRETARY
Deborah Bwalya

POSTAL ADDRESS
Box 35135, Lusaka, Zambia

REGISTERED ADDRESS
Plot No 6438, Mungwi Road,
Heavy Industrial Area, Lusaka
Telephone: +260 (211) 244-501/248 555

AUDITORS
PricewaterhouseCoopers

TRANSFER SECRETARIES
Corpserve Transfer Agents Ltd

WEBSITE
www.sabmiller.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


Chibuku
Super
Suuuuuuper!
Everytime!
QUALITY
5★STAR
QUALITY
Chibuku
Super
RECOMMENDED MAXIMUM RETAIL PRICE
K5
Chibuku
SUPER
TASTE THE GOODNESS
Taste the goodness
18+
For People Over the Age of 18 Only