



NATIONAL BREWERIES PLC



Business
turn-around
grounded on
resilience

ANNUAL
REPORT
2017

1st April - 31st
December 2017

Chibuku Super

Sealed in Goodness

From factory to you, it's hygiene all the way.

18+ ENJOY RESPONSIBLY. NOT FOR SALE TO PERSONS UNDER THE AGE OF 18.

National Breweries Plc

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

This is the Annual Report of National Breweries Plc for the nine month period ended 31st December 2017. It includes information that is required by the Securities and Exchange Commission (SEC). This information may be updated or documented with the SEC or later amended if necessary, although 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.



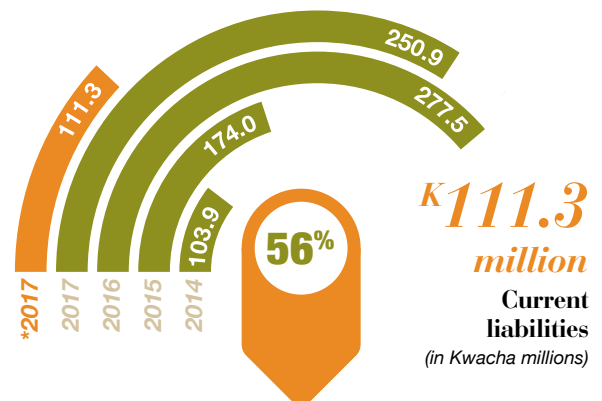
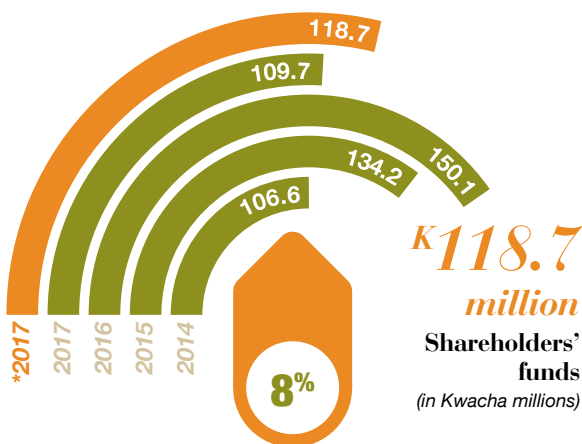
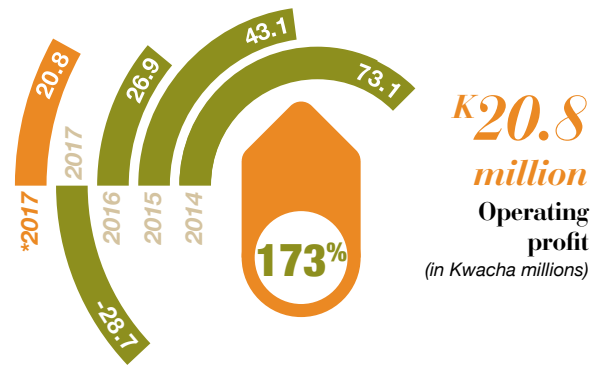
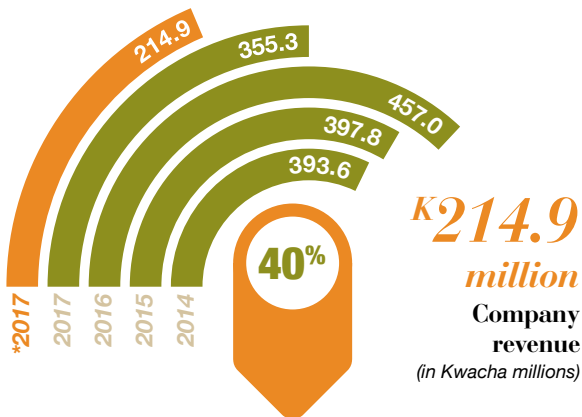
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1. Financial Highlights

(In Kwacha thousands)

	2014	2015	2016	2017	Nine months ended 31 December 2017
Company turnover (Incl. excise duty)	429,068	431,154	491,978	377,257	242,034
Company revenue (Excl. excise duty)	393,618	397,799	456,983	355,273	214,927
Operating profit/(loss)	73,050	43,064	26,940	(28,672)	20,813
Profit/(loss) before income tax	73,588	43,708	53,797	(64,577)	12,769
Profit/(loss) for the year	46,423	27,684	38,196	(45,851)	9,066
Total assets	227,163	325,553	457,348	374,542	337,459
Current liabilities	103,878	174,022	277,498	250,917	111,273
Shareholder's funds	106,612	134,193	150,054	109,677	118,743



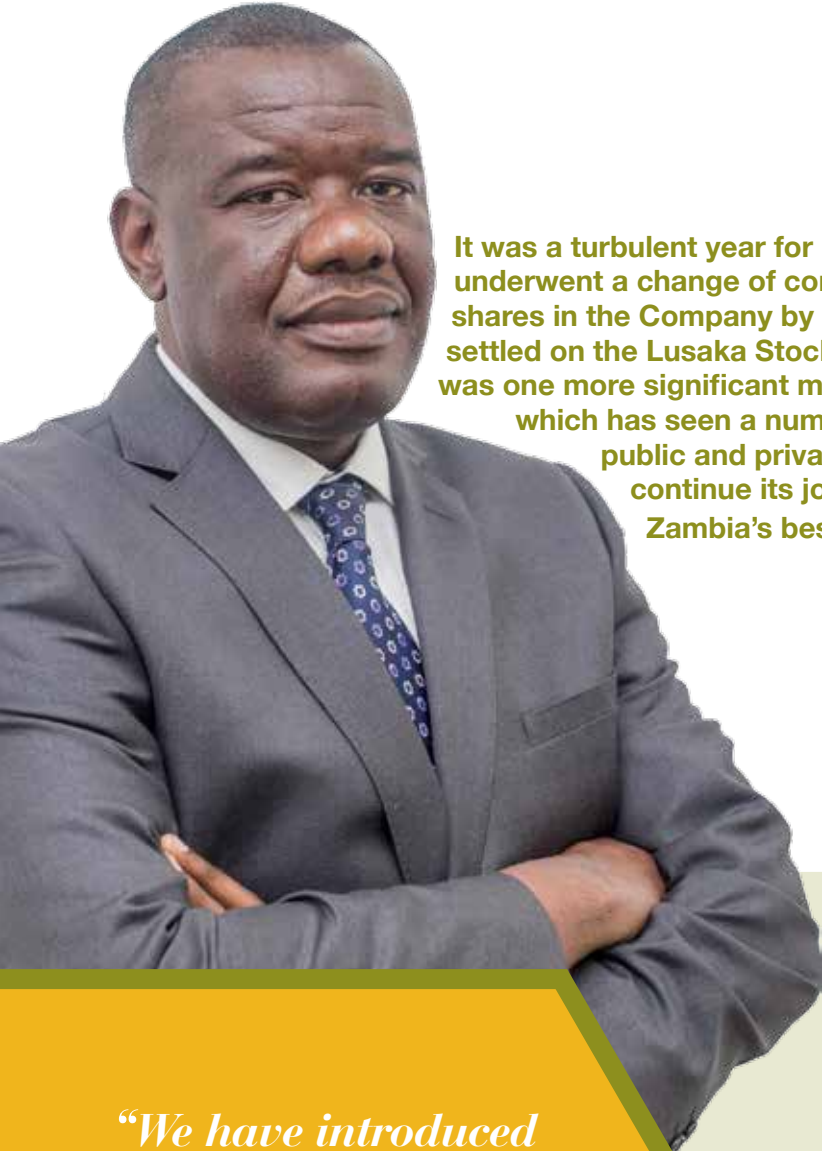
*Nine months ended 31 December 2017



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Business Overview

Chairman's Report



It was a turbulent year for National Breweries as the Company underwent a change of control. The transaction to purchase 70% of shares in the Company by Delta Corporation Limited of Zimbabwe settled on the Lusaka Stock Exchange on 28th December 2017. It was one more significant milestone in a long history for the Company, which has seen a number of changes in ownership in both the public and private sectors. We are confident that it will continue its journey as the Company behind one of Zambia's best known brand names, Chibuku.

“We have introduced improved methods of water saving during production along with good energy saving practices by switching off machinery after production/during breakdown durations.”

Valentine Chitalu
Chairman

Market Overview

The nine month period saw a gathering of pace of the economic improvements signalled at the end of 2016, and while economic growth was not always as strong as we would have hoped, there were strong signs that the green shoots of recovery were taking root.

The exchange rate between the Kwacha and the United States Dollar remained reassuringly stable throughout the year, stabilising at between K9 and K10 to the USD. This made it easier for us to plan on a day-to-day basis and gave us confidence to further our capital investment plans.

Further boosts resulted from the Bank of Zambia's reduction in the policy rate by 1.5 percentage points during the first half of the year, which resulted in reduced borrowing costs. Further adjustments in monetary policy and increased confidence on the market led to improved liquidity during the second quarter.

A drop in Zambia's inflation rates, from 7.5 percent in December 2016 to 6.1 percent in December 2017 was also an encouraging sign.

Strategic Review

We continued to build relations between National Breweries and strategic partners, engaging with the authorities on our continued efforts to ensure the existing legislation of the production and sales of bulk opaque beer are enforced.

A multi-stakeholder meeting of alcohol manufacturing companies engaged with the Minister of Local Government and produced a summary document that was later presented to the Local Government Minister on the Alcohol Landscape in Zambia.

We also engaged with the authorities on maintaining favourable excise rates.

An 18+ campaign programme was launched in Lusaka to create awareness on the need to curb underage drinking.

In addition, our relations with the Road Transport and Safety Agency (RTSA) flourished as we continued to advocate road safety and enforcement activities.

As for our Manja Pamodzi community-based waste initiative, there was a successful expansion of the project as we extended waste collection and recycling activities in Lusaka's Matero, Chunga and Kanyama. Additionally, Manja Pamodzi in 2017 celebrated its second year anniversary and the event was graced by the Minister in the Vice President's Office.

Sustainable Development

National Breweries adopted the AB InBev Group's Better World strategy, incorporating its dream of creating a growing, healthier and cleaner world.

Preservation of water is a key component of that strategy. We have introduced improved methods of water saving during production along with good energy saving practices by switching off machinery after production/during breakdown durations.

The importance of the environment was highlighted by the work of the Manja Pamodzi campaign to clean-up packaging waste in Lusaka in partnership with Zambian Breweries, Lusaka City Council, the Millennium Challenge Account and others.

Our role in the maize value chain continues to boost livelihoods for small-scale farmers.

Future Prospects

As National Breweries enters a new era under the ownership of Delta Corporation Limited, we remain optimistic that its growth potential will be realised, capitalising on the turnaround strategy introduced by its previous shareholders, and leading to continued growth of this iconic Company.



Chairman of the Board of Directors

Country Director's Report



Trading conditions continued to be very difficult for our Traditional African Beer (TAB) business overall. Total volumes were 25% down on prior year. Competitive pressure from affordable clear beer as well as the illegal bulk traditional beer and cheap spirits in the market, eroded market share across categories, despite the bullish recovery in volumes of Super in the last few months.

On a positive note, Management has been proactive in right-sizing the business by cutting costs and staff complement, and creating a lean structure with the correct focus to reap the benefit from the investment in the refurbished brewery. Furthermore, the business has benefitted from staff training, the appointment of an experienced Commercial Head and a focus on quality.

Despite all the challenges faced during the period, I am glad to confirm that the business recorded an operating profit for the period which was 173% up on the prior period*. The volume decline was a large contributor to the drop in operating profit against budget, but an outstanding performance on the cost management front resulted in a net profit for the period.

Business Performance

During the period we experienced a recovery of Chibuku Super volumes, posting a double digit growth of 31% against prior year. Chibuku Super's growth was attributed to the two price roll backs implemented in the period (from an earlier K6.5 to K5.0 per pack) and an increased availability of this pack.

After our second price roll back, demand grew exponentially, not allowing enough time to realign our supply chain, creating serious stock-outs which hampered our ability to deliver better sales numbers.

“Despite all the challenges faced during the year, I am glad to confirm that the business recorded an operating profit for the period which was 173% up on prior year.”

Jose Daniel Moran Ramirez
Country Director

The situation slowly stabilised towards the peak period.

On the other hand, the 1 litre Chibuku Shake Shake carton market continued to decline, resulting in a loss of share to bulk competitors and Chibuku Super. The pack declined notably against prior year. Due to Shake Shake's poor performance, we decided to roll back the price from K4.5 to K4 early in September, but there was no improvement in sales.

The business underwent a significant transformation on the cost front to improve its performance in light of the massive volume erosion suffered, which finally yielded a positive bottom line, in spite of the poor top line.

Revenue for the period was down by 40% against prior year, driven by the drop in sales volume as well as an 8% roll back in Chibuku Super prices. This drop was, however, cushioned by the growth in Chibuku Super versus prior year. Gross margin was down on prior year due to the significant drop in volumes.

There was a 173% improvement on operating profit as prior year recorded significant exceptional costs in staff separation costs and bad debts as well as the adverse impact of exchange losses resulting from forward contracts. The current period has been cushioned from the adverse exchange losses by a relatively stronger Kwacha and the trading of currencies on the spot market.

Future Prospects

On behalf of the Board of Directors I would like to inform our stakeholders that Delta Corporation Limited purchased the majority shareholding in the Company. This was effected through

its subsidiary, Chibuku Breweries Limited, in a transaction which was settled on the Lusaka Stock Exchange on 28th December, 2017. This resulted in a change of control.

The Government introduced a presumptive tax on opaque producers in the 2016 budget. This tax should bring bulk producers into the formal economy at least by calculating the excise and VAT due based on production capacity. Unfortunately, the implementation of the presumptive tax on opaque beer introduced in the 2016 budget was put on hold by the Government. The Company will continue lobbying initiatives with the Government on enforcing the presumptive tax and curbing the illicit spirit market.

The current stability and improved economic metrics coupled with the transformation of the Company to become a leaner organization during 2017, has prepared the ground for a better year in 2018.



Country Director

**Comparisons in this report with prior period or prior year relate to the previous 9 month period.*



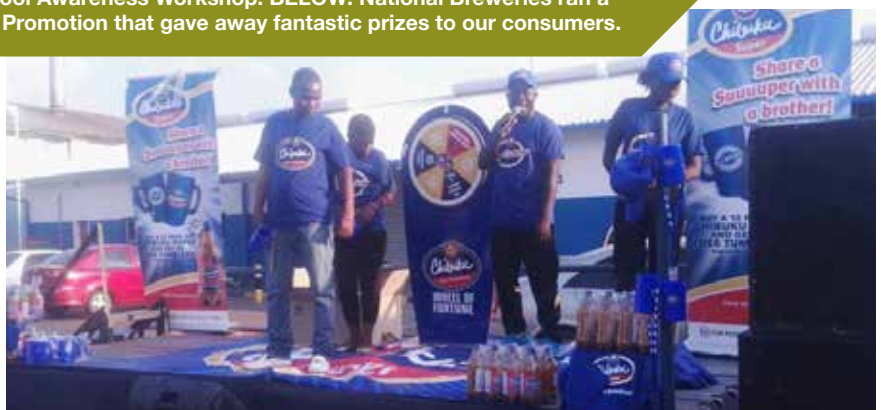
Chibuku Super production line at our state-of-the-art Lusaka Brewery.



Participants listen to a Company presentation at the 2017 Entrepreneurship Week.



ABOVE: New Matero Secondary School children attentively watch a presentation at a Manja Pamodzi School Awareness Workshop. BELOW: National Breweries ran a Chibuku Super 5 Star Promotion that gave away fantastic prizes to our consumers.





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Corporate Governance and Sustainable Development

Women make up over 70% of the 500 Lusaka participants that managed to collect over 3000 tones of waste for recycling.

Board of Directors*

VALENTINE CHITALU



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

GEORGE SOKOTA



George Sokota 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.

JOSE DANIEL MORAN RAMIREZ



Jose Daniel Moran Ramirez joined the Board as Country Director on 1st September 2017, with diverse experience in the Fast Moving Consumer Goods (FMCG) sector. Having begun his career in 2000 with Ernst and Young LLP in USA, Canada and Latin America, he joined the SABMiller Group in 2007 in Latin America. Mr Ramirez was formerly the Sales Director for ABInBev operations in Mozambique.

FAITH MUKUTU



Faith Mukutu 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. Faith resigned her executive position as Finance Director as of 16th February 2018, but has retained her seat on the Board as a Non-Executive Director.

PEDRO CRUZ



Pedro Cruz joined the Board with over 20 years' experience and is currently Managing Director Mozambique, and was also appointed Business Unit President Southern Africa for the combined ABInBev/SABMiller Group in October 2016. He joined SABMiller in 2007 as Commercial Director in Mozambique and formerly worked with PepsiCo in Portugal, Spain and the UK in a number of senior Sales, Marketing and Finance roles between 1988 and 2006. He holds a degree in Business Administration and an MBA from the Catholic University of Lisbon in Portugal.

SEAN SMUTS



Sean Smuts joined the Board with 14 years' experience in finance and was Finance Director Southern Africa for AB Inbev Africa. He formerly held the positions within AB Inbev and SABMiller of Finance Director in Mozambique, Senior Manager Finance and Control at the Regional Hub and various finance roles at the Global Head Office. He holds a B Com (Hons) Accounting and a Higher Diploma in Auditing from the Rand Afrikaans University, South Africa, is a qualified Chartered Accountant South African Chartered Accountant CA (SA) and attended the Ashridge Business School Management Development Programme in the UK (2010). Sean resigned from the Board on 28th December 2017.

ANNABELLE DEGROOT



Annabelle Degroot was appointed as Managing Director in December 2014, having formerly served as Finance Director of Zambian Breweries Plc from February 2012. She has over 15 years' experience in audit and finance functions in the UK and Zambia. She holds a BA MA (Cantab) in Economics and is a qualified ACA with the Institute of Chartered Accountants, England & Wales (ICAEW). She is also a Fellow of ZICA. She resigned from the Board on 1st September, 2017.

LUCIA ADELE SWARTZ



Lucia Adele Swartz 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. She resigned from the Board on 12th May, 2017.

BRIAN HIRSCH



Brian Hirsch 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 subsequently joined the Africa Head Office in the role of Head of Strategy and Operations Finance. He resigned from the Board on 12th May, 2017.

*Directors holding office during the period under review - 1st April - 31st December 2017.

Management Committee

JOSE DANIEL MORAN RAMIREZ

COUNTRY DIRECTOR | Jose Daniel Moran Ramirez

was appointed as Country Director in August 2017. He has diverse experience in the Fast Moving Consumer Goods (FMCG) sector. Having begun his career in 2000 with Ernst and Young LLP in USA, Canada and Latin America, he joined the SABMiller Group in 2007 in Latin America. Mr Ramirez was formerly the Sales Director for ABInBev operations in Mozambique.



FAITH MUKUTU

FINANCE DIRECTOR | Faith Mukutu 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. Faith resigned as Finance Director as of 16th February 2018.



FRANZ SCHEPPING

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



THECLA CHILOKOTA

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



EZEKIEL SEKELE

CORPORATE AFFAIRS DIRECTOR | Ezekiel Sekele 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.



ANTON TERBLANCHE

COUNTRY MANAGER LOGISTICS | Anton Terblanche has over 25 years experience in Sales and Operations. He joined SAB Miller in 1990 and held various positions including Sales Manager and Depot Manager. He joined the Company in June 2015 as Logistics Manager and is currently National Operations Manager. He holds a BEcon degree from the University of the Orange Free State in South Africa.



DARRYL HASKIS

SALES AND DISTRIBUTION DIRECTOR | Darryl Haskis was appointed Sales and Distribution Director on 1st October, 2014. He has 25 years experience in Sales, Operations and Trade Marketing of which 23 years have been spent in Sales and Distribution in SABMiller Plc in various positions, including Sales Representative, Distribution Manager, various Depot Management roles, Regional Trade Marketing Management and most recently a District Manager role looking after Sales and Distribution. He resigned from the Board on 30th June, 2017.



ANNABELLE DEGROOT

COUNTRY DIRECTOR (Outgoing) | Annabelle Degroot was appointed as Managing Director in December 2014, having formerly served as the Finance Director of Zambian Breweries Plc from February 2012. She has over 15 years' experience in audit and finance functions in the UK and Zambia. She holds a BA MA (Cantab) in Economics and is a qualified ACA with the Institute of Chartered Accountants, England & Wales (ICAEW). She is also a Fellow of ZICA. She resigned on 1st September, 2017.



Corporate Governance Statement



In the wake of last year's change of control, our Corporate Governance framework has been revitalized by innovative policies, procedures and practices to enhance the control environment to ensure delivery of maximum benefits to all stakeholders. This includes our heightened collaboration with Government as a cardinal stakeholder, to align our policies to the national interest for sustainable prosperity. I outline below the Company's Mission Statement, which enshrines our vision and our goals to achieve it.

'Policies on Anti-Bribery, Code of Ethics, Human Rights and Anti-Money Laundering continue to form an integral part of our stringent compliance programme.'

Deborah Bwalya
Company Secretary

10 Principles

DREAM

- 1 Our shared dream energizes everyone to work in the same direction: bringing people together for a better world.

PEOPLE

- 2 Our greatest strength is our people. Great people grow at the pace of their talent and are rewarded accordingly.
- 3 We recruit, develop and retain people who can be better than ourselves. We will be judged by the quality of our teams.

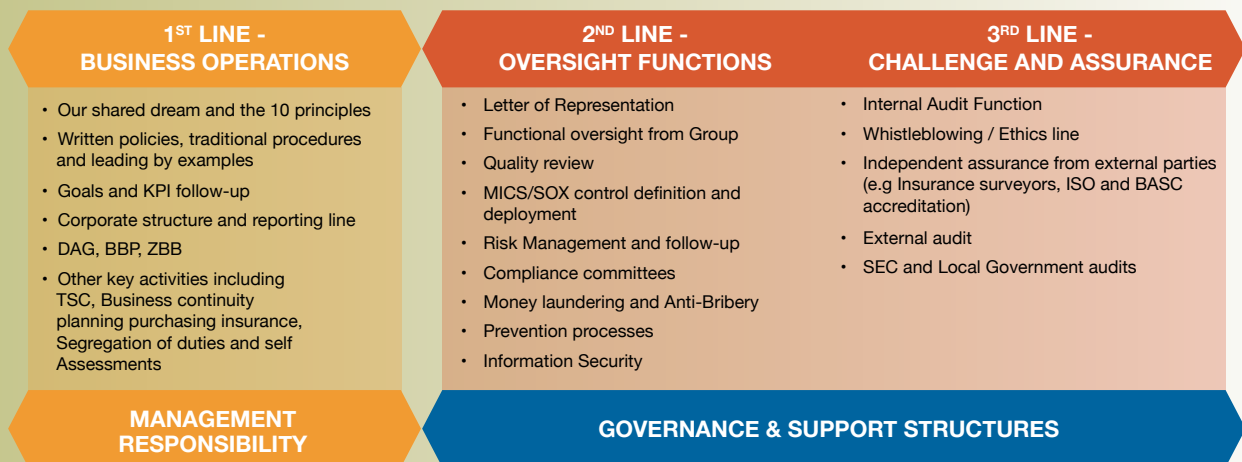
CULTURE

- 4 We are never completely satisfied with our results, which are the fuel of our company. Focus and zero - complacency guarantee lasting competitive advantage.
- 5 The consumer is the boss. We serve our consumers by offering brand experiences that play a meaningful role in their lives, and always in a responsible way.
- 6 We are a company of owners. Owners take results personally.
- 7 We believe common sense and simplicity are usually better guidelines than unnecessary sophistication and complexity
- 8 We manage our cost tightly, to free up resources that will support sustainable and profitable top line growth
- 9 Leadership by personal example is at the core of our culture. We do what we say
- 10 We never take shortcuts. Integrity hard work, quality and responsibility are key to building our company.

Our internal controls have been streamlined and our revised approach covers “Three Lines of Defence”, as set out below:

The Three lines of Defense

Being an owner does not mean that everyone is responsible for everything. This model was developed to clarify accountabilities and expectations:



TERMS: BASC - Business Anti-Smuggling Coalition. This is a business-led alliance, supported by the U.S. Customs Service, created to combat narcotics smuggling via commercial trade. BBP - Business and budgeting process. DAG - Delegation of Authority Guide. ISO - International Standards Organisation. MICS - Minimum Internal Controls Standards. TSC - Target Setting and Cascading. SOX - Sarbanes-Oxley Act of 2002. An act passed by U.S. Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations. The SOX Act mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud. ZBB - Zero-based Budgeting. A method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a “zero base,” and every function within an organization is analyzed for its needs and costs.

The Voyager Plant Optimisation (VPO) is the AB-InBev way of operating our facilities. Its aim is to achieve results through creating a culture of continuous improvement and empowerment within the Supply function.

Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. Zero-based budgeting starts from a “zero base” and every function within an organization is analyzed for its needs and costs.

In the interests of efficiency, our organizational structure comprises flatter functional structures with more than one reporting line.

Our Lighthouse project tracks competition law compliance, and we have a strict regime for Anti-corruption and Bribery, including reporting to a centralized Compliance Channel for approval of gifts and donations to ensure compliance with the US Foreign Corrupt Practices Act. Senior Management from across

3. CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT

Corporate Governance Statement | Continued



Proud National Breweries Management and Staff display trophies and certificates of the various Governance Awards won in 2017.

functions attended a pan-African Summit in November, 2017 to entrench practices and zero tolerance for bribery and corruption.

Our Sustainability Framework as implemented by our Corporate Affairs Department comprises three pillars – Growing livelihoods; Moderation and Harm Reduction; and a Clean and Healthy Environment.

THE BOARD

The Board of Directors and Senior Management continue to take responsibility for ensuring legal compliance and robust corporate governance including the oversight of the implementation of our core values, strategies, systems, policies and practices. The Board sanctions the Code of Ethics and tracks its compliance. The Board continues to approve the Company's strategies and their alignment with the approved budget, and implementation through the existing Human Resources policies, Key Performance Indicators for all Functional Heads and the Performance Management System.

The Board of Directors sat twice during the past 9 month period to review strategy and controls, with the assistance of the Audit Committee. Both the Board and Audit Committee comprise non-executive members (including independent non-executives), with a broad balance of skills, knowledge of the business and the environment. The Audit Committee reviewed and deliberated comprehensive reports from the Internal Audit function and the Statutory Auditor and made recommendations to the Board.

Nominations to the Board were approved by the full Board of Directors, taking into consideration the skills balance on the Board.

The Chairman of the Board is an Independent Non-Executive Director who provides leadership and ensures the effectiveness of the Board. The Board members retire and are elected at the Annual General Meeting in line with the Company's Articles of Association and the Companies Act. The appointment of the Statutory Auditors and their remuneration is approved by the Board and the shareholders in the Annual General Meeting. All Non-Executive Directors' remuneration is disclosed in the Financial Statements.

Delegation of Authority

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

Corporate Acts, Strategic Planning, Capital Expenditure and Annual Budget Approval, Asset Disposals, and Borrowing Powers are reserved as the mandate of the Board.

The Chart of Authority also covers in detail the various levels of approval for the following: credit policies, write-off of current assets and book value adjustments, sales and operating revenue, approval of operating expenses, lease agreements and contracts, corporate social investments, recruitments, payroll, Collective Labour Agreements and training, legal and statutory matters and Enterprise Resource Planning, Insurance claims, donations, Code of Conduct, communications policy.

Board Attendance and Meetings

The Board of Directors for the period under review was composed of the following members:

BOARD COMPOSITION

Board Composition	
Directors	
Valentine Chitalu	<i>Independent Non-Executive</i>
George Sokota	<i>Independent Non-Executive</i>
Brian Hirsch*	<i>Non-Executive</i>
Lucia Swartz*	<i>Non-Executive</i>
Annabelle Degroot**	<i>Executive</i>
Faith Mukutu	<i>Executive</i>
Pedro Cruz*	<i>Non-Executive Director</i>
Sean Smuts***	<i>Non-Executive Director</i>
Jose Daniel Moran Ramirez†	<i>Executive</i>

*Resigned 12th May, 2017

**Resigned 1st September, 2017

***Resigned 29th December, 2017

**Resigned 28th February, 2018

†Appointed 1st September, 2017

The following meetings were held during the period under review:

Board Meetings	12th May 2017	17th November 2017
Member		
Valentine Chitalu	√	√
George Sokota	√	√
Brian Hirsch	√	-
Lucia Swartz	√	-
Annabelle Degroot	√	-
Faith Mukutu	√	√
Pedro Cruz	√	√
Sean Smuts	√	√
Jose Daniel Moran Ramirez	-	√

Audit Committee

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

AUDIT COMMITTEE COMPOSITION

The Audit Committee for the period under review was composed of the following members:

Audit Committee Composition	
Members	
George Sokota (<i>Chairman</i>)	<i>Independent Non-Executive</i>
Brian Hirsch	<i>Non-Executive</i>
Luiza Moreira*	<i>Non-Executive</i>
Sean Smuts**	<i>Non-Executive</i>
Richard Rivett-Carnac	<i>Member (non-executive)***</i>

*Resigned 12th May, 2017
**Resigned 28th December, 2017
***Articles provide for membership of non-directors on the Audit Committee

Audit Committee Meetings	11th May 2017	16th November 2017
Member		
George Sokota (<i>Chairman</i>)	√	√
Brian Hirsch	√	-
Luiza Moreira	-	-
Sean Smuts	√	√
Richard Rivett-Carnac	√	√

MANAGEMENT AND CONTROL

The Management Committee for the period under review was composed of the following members:

Management Committee	
Member	Function
Jose Daniel Moran Ramirez	<i>Country Director</i>
Annabelle Degroot	<i>Country Director (Outgoing)</i>
Faith Mukutu**	<i>Finance Director</i>
Darryl Haskis*	<i>Sales and Distribution Director</i>
Anton Terblanche	<i>Country Logistics Manager</i>
Ezekiel Sekele	<i>Corporate Affairs Director</i>
Thecla Chilokota	<i>Country People Lead</i>

*Resigned 30th June, 2017

**Resigned 16th February 2018

The role of the Management Committee is to implement strategy and provide operational oversight. The Committee met on a monthly basis to review the Key Performance Indicators (KPIs) as set out in the KPI dashboard, with a focus on Marketing, Sales and Distribution, People, Operations and Productivity and Sustainable Development.



Maintaining high quality standards in our laboratory

INTERNAL CONTROLS

The Internal Control Framework is comprised of four pillars:

- **Minimum Internal Controls Standards (MICS)** - this is a set of 200 internal controls implemented across our operations to guarantee compliance with processes in line with our policies, which are tested in selected countries based on their materiality. These controls incorporate definitions to ensure compliance with the Foreign Corrupt Practices Act regulations
- **Global Policies** - aim to standardize the processes within the Group and to improve our controls
- **The Delegation of Authority Guide** - defines limits of authority to our teams for the purposes of decision-making
- **The Finance Excellence Programme** - is our operational guide on financial policies and practices across the Group

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

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

RISK ASSESSMENT

The Global Risk Management function conducts regular reviews in accordance with a risk-based plan approved by the Audit Committee, and reports its findings to the Management Committee and to the Board through the Audit Committee. Functional Heads are responsible for developing the Risk Register which is regularly updated and reviewed by the Management Committee before submission for deliberation by the Audit Committee. The Risk Register addresses the top risks and detailed management plans for mitigation, which are reviewed by the Audit Committee of the Board at each meeting.

CODE OF ETHICS

Policies on Anti-Bribery, Code of Ethics, Human Rights and Anti-Money Laundering continue to form an integral part of our stringent compliance programme. The Code of Business Conduct covers the following areas: Honest and Ethical Conduct, Environment, Health and Safety, Human Rights, Responsible Drinking, Compliance with Competition and Anti-Trust Laws, Conflicts of Interest, Compliance with Anti-Corruption Laws, Gifts and Hospitality, Political Contributions, Mandates, Books, Records and Controls, Confidentiality, E-mails, Internet and Information Systems, Social Media, Use of Company Assets, Code of Responsible Communication, External Communication and Code of Dealing.

ALCOHOL RESPONSIBILITY POLICY

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

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

The AB InBev Dream, “Bringing people together for a better World” and its corresponding principles are what we strive to achieve and the tool or vehicle is Voyager Plant Optimisation (VPO).

Following the mantra “Safety First, Quality Always and VPO Forever”, we believe that the safety of our people is of the utmost importance as well as delivering consistent product to the satisfaction of the consumer with no complaints.

VPO consists of 7 pillars namely Safety, Quality, People, Maintenance, Logistics, Environment and Management with specific criteria to achieve results by creating a culture of continuous improvement and empowerment within the organisation.

The Management pillar is the roof support of VPO to cement the other six pillars and the desired results (Dream, People, Culture). It provides management tools and standardized methods

aligned to the Dream and our culture and is made up of four tiers (Basics, Manage to Maintain, Manage to Improve and Strategic Planning).

PROCUREMENT

Our Procurement function strives to meet the highest ethical and professional standards in its interactions with suppliers. Furthermore, we expect suppliers to adopt our Code of Conduct in their business dealings.

Zambian Breweries Plc is committed to conducting its business responsibly and in accordance with the highest legal and ethical standards. Operating transparently and ethically is not only the right thing to do, it is ultimately good for business. Understanding all bribery laws and following the principles in the Code of Business Conduct and Ethics safeguards our reputation for honesty and integrity and contributes to our long term financial well-being.

Following our policies and procedures is not optional. Our Procurement Code of Business Conduct and Ethics states that “We do not permit the direct or indirect offer, payment, solicitation or acceptance of any improper payments (for example, bribes, or illegal gratuities) in any form”.

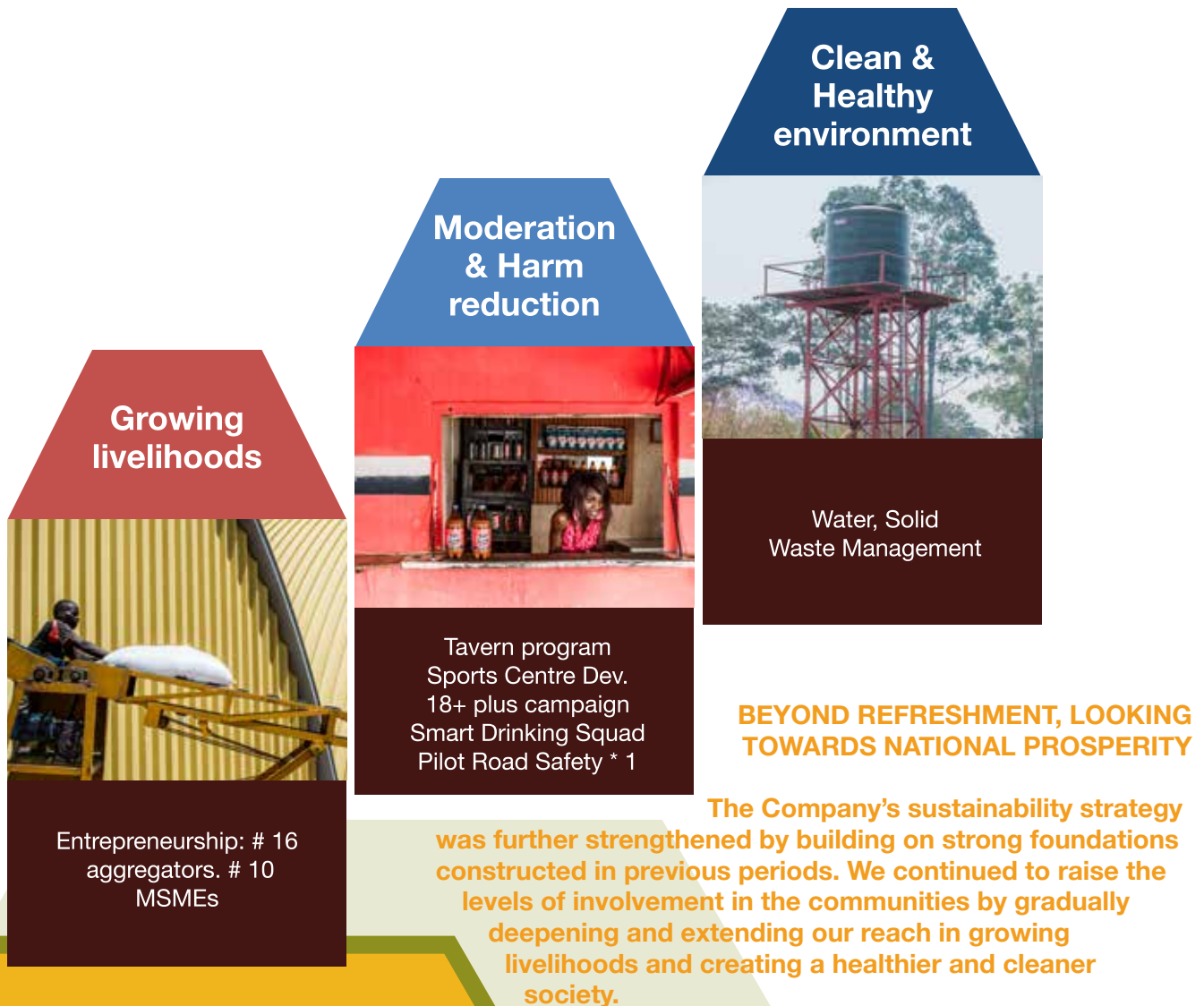


Following the mantra “Safety First, Quality Always and Voyager Plant Optimisation (VPO) Forever”, we believe that the safety of our people is of the utmost importance as well as delivering consistent product to the satisfaction of the consumer with no complaints.

LOOKING FORWARD

As the Company looks forward to further innovations subsequent to the change of control, we trust that the enhanced governance framework entrenched throughout the period will serve as a firm foundation for growth.

Managing Sustainable Development



“The Company progressed with the initiative of creating wealth from solid waste. National Breweries is actively involved in the establishment and running of a post-consumer waste management incentivisation project called Manja Pamodzi.”

Ours is a commitment to bring people together for a better Country. During the period the Better World strategy under ABInBev has been fully implemented. This was harvested from the groundwork that was planted under the Prosper initiative prior to the merger. We saw the best of both worlds being consolidated for improved performance and positive impact on our local communities.

The main drivers of sustainability continued to be the following:

- **Agriculture**
- **Employment and Entrepreneurship**
- **Responsible Alcohol Consumption**
- **Recycling and Solid Waste management**
- **Water stewardship**
- **Energy saving and Packaging**

AGRICULTURE

The goal of the 7th National Development Plan (7NDP) is to create a diversified and resilient economy for sustained growth and socio-economic transformation driven primarily by agriculture and manufacturing. In line with the national developmental agenda, the Company continued to further embed its footprint in the agricultural sector with a call to transform and deepen the local sourcing strategy.

In line with the 7NDP, National Breweries Plc is playing a pivotal role in the diversification of the economy. The Company continued to engage with the maize farmers during the course of the year.

EMPLOYMENT AND ENTREPRENEURSHIP

National Breweries' industrialisation drive has boosted job creation efforts in several sectors such as construction, agriculture, warehousing and transport.

The Manja Pamodzi recycling project currently runs in ten townships of Lusaka, and has over 500 collectors, of which 70% are female. A total of 3,000 tons of recyclable material was collected since project inception in 2015.

RESPONSIBLE ALCOHOL CONSUMPTION

National Breweries Plc has demonstrated that its products are a smart drinking choice as it uses responsible ways of producing, advertising and selling its beverages. The Company, through the Sales and Marketing Compliance Committee, takes part in several processes in sending right messages when selling alcoholic beverages, especially during festive periods.

Road Safety – In December 2017 we donated six new breathalysers and a cheque of K100,000 to the Road Transport and Safety Agency (RTSA) as part of its smart drinking initiative aimed at stopping drunk-driving. This was after handing over a cheque worth K200,000 to RTSA in April 2017 towards the same campaign.

Partnership – We partnered with the Lusaka City Council to launch the 18+ Campaign to help address the issue of underage drinking.

SPORTS DEVELOPMENT

In May 2017, we signed an agreement with the Football Association of Zambia (FAZ), for a sponsorship package toward the Chipolopolo's 2017 Africa Cup of Nations (AFCON) run.

CLEANER AND HEALTHIER WORLD - RECYCLING AND SOLID WASTE MANAGEMENT

RECYCLING

The Company progressed with the initiative of creating wealth from solid waste through its involvement in the establishment and running of a post-consumer waste management incentivisation project called Manja Pamodzi. The project is in line with the Government's determination to achieve the United Nations Sustainable Development Goals and the Keep Zambia Clean Campaign.

A number of events, educational centres and individuals benefitted from the training and knowledge sharing interventions put forward during the year by the Company, implemented in conjunction with the Millennium Challenge Account.

The next goal is to transform the project into a separate legal entity.

WATER STEWARDSHIP

For our Lusaka brewery, sustainable development water reduction plans are in place in all process areas to reduce water usage. At our Ndola brewery, the focus for 2018 will remain on monitoring departmental usages.

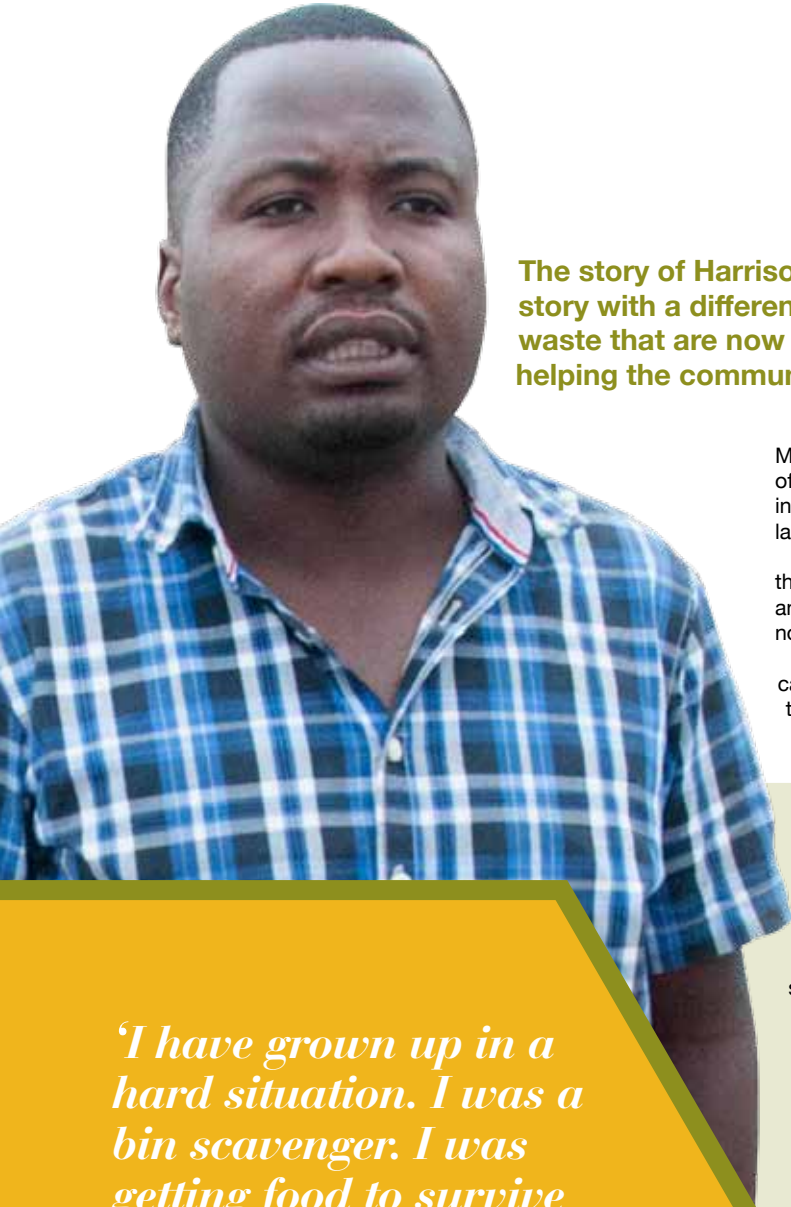
OUR HIV/AIDS PROGRAMMES

- *Fully functional onsite HIV/AIDS plant clinic for employees.*
- *Onsite HIV/AIDS management for employees.*
- *Free Anti-retroviral drugs to HIV positive employees, their children and spouses.*
- *89% annual HIV retesting for 2017.*
- *30 employees trained as peer educators and lay counselors.*
- *Commemoration of World AIDS Day with one employee disclosing his positive HIV status.*
- *Distribution of male and female condoms to employees.*
- *Provision of onsite Voluntary Medical Male Circumcision as an HIV preventive measure.*
- *Conducted four health talks on HIV/AIDS to employees.*



Company Secretary

From waste to wealth! Meet Harrison Musonda, a successful entrepreneur thanks to Manja Pamodzi



The story of Harrison Musonda is a relative rags-to-riches story with a difference: it is the rags and other household waste that are now bringing Musonda prosperity, and helping the community at the same time.

Musonda earns a living by selling litter and recyclable waste as part of the highly successful Manja Pamodzi project, a community-based initiative that has seen parts of Lusaka where the project has been launched cleared of refuse, and recycled material turned into cash.

Dealing in other people's household waste has always earned the 29-year-old Musonda enough to survive, but since becoming an aggregator for the Manja Pamodzi initiative, he has enjoyed a noticeable improvement in his standard of living.

His role involves buying litter in bulk from collectors so that he can then process the discarded material into bundles to be sold on to Manja Pamodzi. Thereafter, companies specialising in processing of recyclable materials buy the solid waste and turn into useable material such as tissues and egg trays.

It is difficult to believe that Musonda at one time had to survive on picking waste from the dump site; now these days are long gone.

“Before engaging with the Manja Pamodzi project, I met up with some business people who would buy plastic litter in bulk. They would give us K50 a time. Later, I realised that there is value in this waste-picking business. I started selling a kilo for 30 ngwee. I would make between K300 and K500 weekly and I started saving,” he says.

As fate may have it, in March 2014 he met with some consultants who were conducting feasibility studies on recyclable material. This was a turning point in his life as it meant he could finally move on from his Chunga dumping ground litter-picking business. In 2015, the team came back for the Manja Pamodzi project. That was the moment when it dawned on him that

‘I have grown up in a hard situation. I was a bin scavenger. I was getting food to survive by God’s Grace. Then I started visiting the Chunga dumping site, but I was also determined to work hard and make it in life. When I look at litter, I see business: I see money.’



Harrison’s enterprise has created employment for a number of youths through Manja Pamodzi’s support.



ABOVE: Harrison's container at the Chunga Dump Site in Lusaka. **BELOW:** Compressed packs of Chibuku Shake Shake ready for delivery to recyclers. **UNDER:** Workers load Egg Trays manufactured from recyclable waste at one of Harrison's customers.

becoming an aggregator was a way out of the poverty trap which he was in danger of falling into.

"I realised that I could engage others and now have about 60 collectors. I have even engaged professionals and university graduates."

The aim of the environmental clean-up and recycling project is to minimise litter that can block drainage systems and give rise to disease such as cholera and typhoid, especially during the rainy season.

Apart from giving people a sense of worth, a spirit of hope, and a future to look forward to, the project is generating enterprise development opportunities and thus alleviating poverty. Through the initiative the communities are also being given the chance to create their own businesses.

The collectors are identified through environmental education campaigns with the emphasis on recycling. The collectors gather polyethylene terephthalate (PET) bottles, cardboard and other recyclable materials from target areas in their communities.

Musonda says he is happy to be part of the Manja Pamodzi initiative because as far as he is concerned, it is not just about the money he raises but the contribution he and his colleagues are making towards keeping the Country clean. "I have engaged about 60 people under the Manja Pamodzi project. I have been to Chawama, Ngombe and other places in Lusaka collecting recyclable litter," he recalls.

"I have grown up in a hard situation. I was a bin scavenger. I was getting food to survive by God's Grace. Then I started visiting the Chunga dumping site, but I was also determined to work hard and make it in life. When I look at litter, I see business: I see money."

He does not blame his parents for his harsh and humble beginnings: "It wasn't my parents' fault that I was a scavenger. Being a scavenger was a tough situation but I was doing it for survival. I am happy that through my business I have built them a house. God blessed me with a car and now I can take my children to a good school," the father-of-two says.

Musonda hopes he can inspire schoolchildren to keep their environment clean: "I also provide leadership in schools and started working with Lusaka City Council". He has some words of advice for the youth of today, and that is to value your life, be dedicated to what you are doing, set goals and achieve them.



Directors' Report

The Directors present their report and the audited financial statements for the nine month period ended 31 December 2017, 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.

Results and dividends

	Nine months period ended 31 December 2017 K'000	Year ended 31 March 2017 K'000
Revenue	214,927	355,273
Profit/(Loss) for the period	9,066	(45,851)

The net profit for the period has been added to retained earnings. During the period, the Company did not pay any interim dividend (March 2017: Nil). The Directors do not recommend payment of a final dividend (March 2017: 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	
Jose Daniel Moran Ramirez	Country Director	Appointed 1 September 2017
Faith Mukutu*	Finance Director	
Pedro Cruz	Non - Executive Director	Appointed 12 May 2017 Resigned 28 February 2018
Sean Smuts	Non - Executive Director	Appointed 12 May 2017 Resigned 28 December 2017
Brian Hirsch	Non - Executive Director	Resigned 12 May 2017
Lucia Swartz	Non - Executive Director	Resigned 12 May 2017
Annabelle Degroot	Country Director	Resigned 1 September 2017
Pearson Gowero	Non - Executive Director	Appointed 28 February 2018
Etherton Runyararo Mpisaunga	Non - Executive Director	Appointed 28 February 2018
Ronny Palale	Non - Executive Director	Appointed 28 February 2018

*Resigned as Executive Finance Director on 16 February 2018, but retains her seat on the Board as a Non-Executive Director

Average number of employees and remuneration

The total remuneration of employees during the period amounted to **K25 million** (March 2017: K62million) and the average monthly number of employees during the period was as follows:

Month	Number	Month	Number
April	353	September	338
May	349	October	342
June	346	November	369
July	341	December	371
August	338		

Gifts and donations

During the period, the Company made donations of **K30,023** (2017: K 41,869) to various charitable organisations and events.

Exports

The Company did not export any products during the period (March 2017: Nil).

Property, plant and equipment

The Company purchased property, plant and equipment amounting to **K 3.2 million** (March 2017: K 9.5 million) during the period.

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 period (March 2017: Nil).

Health and safety

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

Developments during the year

Through its subsidiary Heinrich's Syndicate Limited, Anheuser Busch InBev Plc agreed to sell its 70% shareholding in National Breweries Plc to Chibuku Breweries Limited, a wholly owned subsidiary of Delta Corporation Limited. Effective 28 December 2017, Delta Corporation Limited became the Company's new ultimate parent.

The Company also changed its financial year end from 31 March to 31 December.

Auditor

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

By order of the Board



Deborah Bwalya
Company Secretary
7th March 2018

Statement of Directors' Responsibilities

The Zambia Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on their behalf by:



Valentine Chitalu
Chairman



Jose Daniel Moran Ramirez
Country Director

7th March 2018



4

Financial Statements



To the Shareholders of National Breweries Plc

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of National Breweries Plc (the “Company”) as at 31 December 2017, and of its financial performance and its cash flows for the nine month period then ended in accordance with International Financial Reporting Standards and in accordance with the requirements of the Zambia Companies Act.

What we have audited

The financial statements of National Breweries Plc are set out on pages 30 to 62 comprise:

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

Basis for opinion

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

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

Independence

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

Key audit matters

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

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T: +260 (211) 334000 , F: +260(211) 256474, www.pwc.com/zm

A list of Partners is available from the address above



Key audit matter	How our audit addressed the key audit matter
<p><i>Computation of price discounts</i></p> <p>As disclosed in Note 2 (p), the Company recognises revenue net of price discounts.</p> <p>Price discounts are computed automatically by the system based on the classification of distributors into groups and the corresponding discount assigned to each group.</p> <p>Price discounts for the nine month period ended 31 December 2017 amounted to K 13 million.</p> <p>We have determined this as an area of focus for the audit on account of the significance of the amounts involved and the inherent susceptibility of discounts to misstatement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated and tested operating effectiveness of controls relating to the approval of price discounts; • Evaluated and tested operating effectiveness of controls relating to the approval of the classification of distributors into groups; • Agreed the price discounts captured in the system to the manually approved price discounts; • Performed a re-computation to assess whether the system computed price discounts accurately; and • Traced price discounts recorded during the period to source documentation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

Report on other legal and regulatory requirements

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

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Chartered Accountants
Lusaka

Date: 7 March 2018

A handwritten signature in blue ink that appears to read 'Charity Mulenga'.

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

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Nine month period ended 31 December 2017	Year ended 31 March 2017
Revenue		214,927	355,273
Cost of sales		<u>(144,170)</u>	<u>(250,161)</u>
Gross profit		70,757	105,112
Other operating (expenses)/income	7	(184)	2,860
Distribution costs		(38,384)	(64,312)
Administrative expenses		<u>(11,376)</u>	<u>(72,332)</u>
Operating profit/(loss)		20,813	(28,672)
Finance income		1,720	5,059
Finance costs		<u>(9,764)</u>	<u>(40,964)</u>
Finance costs - net	10	(8,044)	(35,905)
Profit/(loss) before income tax		12,769	(64,577)
Income tax (expense)/credit	11	(3,703)	18,726
Profit/(loss) for the period		<u>9,066</u>	<u>(45,851)</u>
Other comprehensive (loss)/ income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Cash flow hedge	15	-	<u>5,474</u>
Other comprehensive income for the year, net of tax		-	<u>5,474</u>
Total comprehensive income/(loss) for the period		<u><u>9,066</u></u>	<u><u>(40,377)</u></u>
Earnings per share for profits attributable to the equity holders of the Company			
-basic and diluted (Kwacha per share)	12	<u><u>0.14</u></u>	<u><u>(0.73)</u></u>

The notes on pages 34 to 62 are an integral part of these financial statements.

Statement of Financial Position

	Notes	31 December 2017	31 March 2017
Capital and reserves attributable to the Company's equity holders			
Share capital	14	630	630
Retained earnings		118,113	109,047
Total equity		<u>118,743</u>	<u>109,677</u>
Non-current liabilities			
Deferred income tax	16	17,443	13,948
Borrowings	23	<u>90,000</u>	<u>-</u>
		107,443	13,948
Total equity and non-current liabilities		<u><u>226,186</u></u>	<u><u>123,625</u></u>
Non-current assets			
Property, plant and equipment	17	265,100	281,296
Intangible assets	18	<u>-</u>	<u>84</u>
		265,100	281,380
Current assets			
Inventories	19	8,702	38,573
Trade and other receivables	20	15,146	34,141
Current income tax	11	4,905	5,113
Cash at bank and in hand	21	<u>43,606</u>	<u>15,335</u>
		72,359	93,162
Current liabilities			
Trade and other payables	22	101,273	250,917
Borrowings	23	<u>10,000</u>	<u>-</u>
		111,273	250,917
Net current liabilities		<u>(38,914)</u>	<u>(157,755)</u>
		<u><u>226,186</u></u>	<u><u>123,625</u></u>

The notes on pages 34 to 62 are an integral part of these financial statements.

The financial statements on pages 30 to 62 were approved for issue by the Board of Directors on 7 March 2018 and signed on its behalf by:



Valentine Chitalu
Chairman



Jose Daniel Moran
Country Director

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Statement of Changes in Equity

	Share capital	Retained earnings	Hedge reserve	Total
Year ended 31 March 2017				
At start of year	630	154,898	(5,474)	150,054
Comprehensive income				
Loss for the year	-	(45,851)	-	(45,851)
Reclassification to profit or loss	-	-	5,474	5,474
Total comprehensive income for the year	-	(45,851)	5,474	(40,377)
At end of year	630	109,047	-	109,677
Period ended 31 December 2017				
At start of period	630	109,047	-	109,677
Comprehensive income				
Profit for the period	-	9,066	-	9,066
Total comprehensive income for the period	-	9,066	-	9,066
At end of period	630	118,113	-	118,743

The notes on pages 34 to 62 are an integral part of these financial statements.

Statement of Cash Flow

	Notes	31 December 2017	31 March 2017
Cash flows from operating activities			
Cash used in operations	24	(61,611)	(13,562)
Interest received	10	583	16
Interest paid (arising on operating financing)	10	(9,764)	(18,243)
Net cash used in operating activities		(70,792)	(31,789)
Cash flows used in investing activities			
Purchase of property, plant and equipment	17	(3,195)	(9,484)
Proceeds from sale of property, plant and equipment		1,657	5,541
Net cash used in investing activities		(1,538)	(3,943)
Cash flows from financing activities			
Proceeds from borrowings	23	100,000	-
Net cash generated from financing activities		100,000	-
Net increase/(decrease) in cash at bank and in hand		27,670	(35,732)
Movement in cash at bank and in hand			
At start of the period		15,335	54,725
Increase in cash at bank and in hand		27,670	(35,732)
Exchange differences in cash and cash equivalents		601	(3,658)
At end of the period	21	43,606	15,335

The notes on pages 34 to 62 are an integral part of these financial statements.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

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
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.

This preparation requires that use certain critical accounting estimates and exercise judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Going concern

As shown on the statement of financial position, the Company had net current liabilities of K 38 million (March 2017: K 158 million). However, the Company reported a profit after tax of K 9 million (March 2017: Loss of K 45.9 million) during the period.

This state of affairs may be indicative of the existence of a condition that casts significant doubt over the Company’s ability to continue as a going concern. The change in control with effect from 28 December 2017 notwithstanding, the Directors performed an assessment of the Company’s ability to continue as a going concern and are satisfied that it has the resources to continue in business for the next twelve months from the balance sheet date. This conclusion has been arrived at after taking into account the following:

- The Company has accumulated profits of K 118 million which the Company continues to net off against its current losses;
- The Company is in a net assets position of K 119 million (March 2017: K 109.7 million);
- The Company has an external bank borrowing of K100 million meant to boost its working capital; and
- The decision of the ultimate parent to divest from this business by selling its 70% shareholding to Chibuku Products Limited, a subsidiary of Delta Corporation Limited, is intended to position the Company on new growth trajectory.

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

Notes

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact on these new standards and interpretations is set out below:

Title of standard	IFRS 9 Financial instruments
<i>Nature of change</i>	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
<i>Impact</i>	<p>The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:</p> <p>There will 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 Company does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.</p> <p>The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company has no current hedging instruments.</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company does not expect a material increase in the loss allowance for trade debtors.</p>

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Title of standard	IFRS 9 Financial instruments (continued)
	The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
<i>Date of adoption by Company</i>	Must be applied for financial years commencing on or after 1 January 2018. The Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Title of standard	IFRS 15 Revenue from Contracts with Customers
<i>Nature of change</i>	<p>The IASB has issued 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.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
<i>Impact</i>	Management has assessed the effects of applying the new standard on the Company's financial statements and has concluded that it will not have a material impact on the financial results.
<i>Date of adoption</i>	Mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Notes

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

Title of standard	IFRS 16 Leases
<i>Nature of change</i>	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
	The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).
<i>Date of adoption</i>	Mandatory for financial years commencing on or after 1 January 2019.

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

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

2 Summary of significant accounting policies (continued)

(b) Segment reporting

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

- Country Director
- Finance Director
- Technical Director
- Human Resources 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).

Notes

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 and machinery	15 – 20 years
Motor vehicles, furniture and fittings and computer equipment	5 - 10 years
Crates	1 - 2 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.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

2 Summary of significant accounting policies (continued)

(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.

(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.

Notes

2 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Impairment of financial assets (continued)

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.

(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 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.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

2. Summary of significant accounting policies (continued)

(h) Derivative financial instruments and hedging activities (continued)

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'.

(i) Inventories

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

(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.

Notes

2 Summary of significant accounting policies (continued)

(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.

(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.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, the deferred 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.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

2 Summary of significant accounting policies (continued)

(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.

(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.

Notes

2 Summary of significant accounting policies (continued)

(s) Comparatives

Under IAS 1, comparative information must be provided for all amounts reported in the financial statements, except when a standard provides otherwise. As the notes are part of the financial statements, comparative information have been re-aligned to provide further analysis of the line items in the financial statements.

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

(t) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

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 AB InBev, the ultimate parent Company.

Financial risk management is carried out by the Finance Department and AB InBev, under policies approved by the Board.

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

(a) Market risk

The significant market risks to which the Company is exposed are foreign exchange risk and price risk.

(i) Foreign exchange risk

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

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

In the prior period, the company used to hedge 95% of foreign exchange as a way of managing foreign exchange risk against the Company's functional currency. However, due to significant losses incurred from the use of forward contracts for hedging purposes, the Company discontinued the use of forward contract in foreign currency risk management. Management now purchases foreign currency at spot rates.

The tables below set out the Group's currency exposures from financial assets and liabilities held by the group companies in currencies other than their functional currencies and resulting in exchange movements in profit or loss and statement of financial position.

	Exposure in			
	ZAR K'000	USD K'000	Euro K'000	Total K'000
31 December 2017				
Financial assets/(liabilities)				
Cash at bank and in hand	1,056	4,068	2,925	8,049
Trade and other payables	(3,704)	(4,170)	(3,143)	(11,017)
Net monetary assets/ (liabilities)	(2,648)	(102)	(218)	(2,968)
31 March 2017				
Financial assets/(liabilities)				
Cash at bank and in hand	1,161	7,682	11,802	20,645
Trade and other payables	(1,307)	(46,213)	(58,157)	(105,677)
Net monetary assets/ (liabilities)	(146)	(38,531)	(46,355)	(85,032)

Notes

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

At 31 December 2017, if the currency had weakened/strengthened by 3% (March 2017: 14%) against the USD with all other variables held constant, post-tax profit for the period and shareholder equity would have been K 0.2 million (March 2017: K 7.1 million) higher/lower, mainly as a result of USD denominated trade payables and bank balances.

At 31 December 2017, if the currency had weakened/strengthened by 14% (March 2017: 22%) against the EUR with all other variables held constant, post tax profit for the period and shareholder equity would have been K0.7 million (March 2017: K14.4 million) lower/higher, mainly as a result of EUR denominated trade payables and bank balances.

At 31 December 2017, if the currency had weakened/strengthened by 10% (March 2017: 3%) against the ZAR with all other variables held constant, the impact on post tax profit for the period and shareholder equity would have been K0.4 million (March 2017: immaterial).

(ii) Interest rate risk

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

As at 31 December 2017, with other variables unchanged, a 5% (March 2017: 5%) decrease/increase in the base interest rate would have resulted in post-tax profit for the year and shareholder equity being K4.7 million (March 2017: Nil) higher/lower.

(iii) Price risk

The Company is not exposed to commodity price risk.

(b) Credit risk

Credit risk arises from 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. 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. There has been no history of default and no collateral is held for any of the assets. The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair values.

4 FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

3. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables	31 December 2017	31 March 2017
Financial assets that are neither past due nor impaired:		
Current trade receivables	3,124	6,433
Other receivables (excluding advances to suppliers and prepayments)	4,198	2,615

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:

	31 December 2017	31 March 2017
Past due but not impaired:		
- by up to 30 days	1,116	618
- by more than 31 to 60 days	840	107
- above 60 days	-	509
Total past due but not impaired	1,956	1,234
Impaired	2,734	1,330
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	2,734	1,330
Provision for impairment loss	(2,734)	(1,330)
Net carrying amount	-	-

(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	Over 1 year	Total
At 31 December 2017				
Borrowings	-	10,000	151,751	161,751
Trade and other payables (excluding statutory liabilities and dividends)	31,229	52,271	-	83,500
	31,229	62,271	151,751	245,251
At 31 March 2017				
Trade and other payables (excluding statutory liabilities and dividends)	34,723	205,239	-	239,962

Notes

3 Financial risk management (continued)

(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.

During the period to December 2017, the Company's strategy, which was unchanged from March 2017, was to maintain a gearing ratio less than 50%. There were no borrowings as at 31 March 2017. However, as at 31 December 2017, the company has borrowings amounting to K100 million.

	31 December 2017
Total borrowings	100,000
Less: cash at bank and in hand	<u>(43,606)</u>
Net debt	56,394
Total equity	<u>118,743</u>
Total capital	<u>175,137</u>
Gearing ratio	32%

4 Financial instruments by category

Loans and receivables

At 31 December 2017

Assets as per the statement of financial position:

Trade and other receivables (excluding prepayments)	14,243
Cash at bank and in hand	<u>43,606</u>
	<u>57,849</u>

Other financial liabilities at amortised cost

Liabilities as per the statement of financial position:

Trade and other payables (excluding statutory liabilities)	83,500
Borrowings	<u>100,000</u>
	<u>183,500</u>

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

4 Financial instruments by category

	Loans and receivables
At 31 March 2017	
Assets as per the statement of financial position:	
Trade and other receivables (excluding prepayments)	34,026
Cash at bank and in hand	15,335
	<hr/>
	49,361
	<hr/> <hr/>
Other financial liabilities at amortised cost	
Liabilities as per the statement of financial position:	
Trade and other payables (excluding statutory liabilities)	<hr/> 239,962
	<hr/> <hr/>
	239,962

Notes

5 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.

Income Tax

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

Useful lives

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

6 Segment information

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. Consequently no operating segments have been identified for the purposes of IFRS 8 reporting.

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.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

	Nine month period ended 31 December 2017	Year ended 31 March 2017
7 Other operating (expenses)/income		
Net foreign exchange (losses) /gains other than on borrowings and cash and cash equivalents	(39)	2,267
Other income	-	183
(Loss)/profit on disposal of property, plant and equipment	(145)	410
	<u>(184)</u>	<u>2,860</u>
8 Expenses by nature		
The following expenses have been charged in arriving at the profit/(loss) before income tax:		
Raw materials and consumables used	113,760	196,964
Employee benefits expense (Note 9)	24,513	61,981
Transport expenses	12,452	28,003
Depreciation on property, plant and equipment (Note 17)	17,589	25,753
Maintenance costs	4,222	14,374
Royalties (Note 27)	6,455	10,700
Management fees(Note 27)	2,281	3,962
PPE impairment	-	8,323
Amortisation of intangible assets (Note 18)	84	582
Auditor's remuneration	434	491
Provision for receivable impairment (Note 20)	1,404	1,189
Provision for inventory write down	347	368
Other expenses	10,389	34,115
Total cost of sales, distribution and administrative costs	<u>193,930</u>	<u>386,805</u>
9 Employee benefits expense		
The following are included within the employee benefits expense:		
Salaries and wages	20,047	43,472
Voluntary separation costs	810	12,674
Defined contribution scheme – NAPSA and Saturnia	3,656	5,835
	<u>24,513</u>	<u>61,981</u>
10 Finance income and costs		
Finance income:		
Interest income	583	16
Foreign exchange gain on cash and cash equivalents	1,137	5,043
	<u>1,720</u>	<u>5,059</u>
Finance costs:		
Interest expense:		
- Overdrafts	(281)	(74)
- Intercompany (Note 27)	(9,483)	(18,169)
	<u>(9,764)</u>	<u>(18,243)</u>
Foreign exchange loss on cash and cash equivalents	-	(22,721)
	<u>(9,764)</u>	<u>(40,964)</u>
Finance cost - net	<u>(8,044)</u>	<u>(35,905)</u>

Notes

11 Income tax	Nine month period ended 31 December 2017	Year ended 31 March 2017
Current income tax	208	70
Deferred income tax (Note 16)	3,042	(17,221)
Provision held against ZDA benefit	453	(1,575)
	<u>3,703</u>	<u>(18,726)</u>
Income tax expense/(credit)	<u>3,703</u>	<u>(18,726)</u>

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

Profit/(Loss) before income tax	12,769	(64,577)
Tax calculated at the statutory income tax rate of 35% (March 2017: 35%)	4,469	(22,602)
Income not subject to tax	(1,841)	-
Provision held against ZDA benefit	453	(1,575)
Expenses not deductible for tax purposes	622	5,451
Income tax expense	<u>3,703</u>	<u>(18,726)</u>

Current income tax movement in the statement of financial position	31 December 2017	31 March 2017
At start of the period	(5,113)	(5,183)
Charge for the period	208	70
Payments	-	-
At end of the period – asset	<u>(4,905)</u>	<u>(5,113)</u>

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 December 2017. Quarterly tax payments for the year ended 31 March 2017 were made on the due dates during the year.

Tax losses

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

Year	Tax loss	Utilised during the year	Losses expired during the period	Cumulative	Year of expiry
31-Mar-16	38,898	-	-	38,898	2021
31-Mar-17	120,126	-	-	159,024	2022
31-Dec-17	23,903	-	-	182,927	2023

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

11 Income tax (continued)

In the current year, there were no deferred income tax movements relating to components of other comprehensive income. Details relating to prior year movements are shown below:

	31 March 2017		
	Before tax	Tax (charge)	After tax
Cash flow hedge	8,422	(2,948)	5,474
Other comprehensive income	8,422	(2,948)	5,474
Deferred income tax (Note 16)	-	(2,948)	-

12 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 period.

	31 December 2017	31 March 2017
Profit/(loss) attributable to equity holders of the Company	9,066	(45,851)
Weighted average number of ordinary shares in issue ('000s)	63,000	63,000
Basic earnings per share (K)	0.14	(0.73)

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

13 Dividends per share

At the next Annual General Meeting, the Directors do not intend on proposing payments of final dividend in respect of the period ended 31 December 2017 (March 2017: Nil).

No interim dividends were paid during the period (March 2017: Nil) relating to results as at 30 September 2017.

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.

Notes

14 Share capital	Number of shares (Thousands)	Ordinary shares K'000
Balance as at 31 March 2016, 31 March 2017 and 31 December 2017	<u>63,000</u>	<u>630</u>

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.

15 Hedge reserve	31 December 2017	31 March 2017
At start of the year	-	(5,474)
Transfers to cost of sales	-	8,422
Tax on transfers to cost of sales	-	(2,948)
At end of the year	<u>-</u>	<u>-</u>

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

During the year ended 31 March 2017, the Company discontinued the use of forward contracts to hedge against foreign exchange risk. It is for this reason that no hedge reserve is shown in the current year financial statement.

16 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 35% (March 2017: 35%). The movement on the deferred income tax account is as follows:

	31 December 2017	31 March 2017
At start of period	13,948	29,796
Deferred income tax charge	3,042	(17,221)
Provision held against ZDA benefit	453	(1,575)
Tax charge reclassified to profit or loss	-	2,948
At end of period	<u>17,443</u>	<u>13,948</u>

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

16 Deferred income tax (continued)

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

Period ended 31 December 2017

	At start of period	Charged/ (credited) to P/L	Current tax on items reclassified to P&L	At end of period
Deferred income tax liabilities				
Property, plant and equipment	56,311	(37,519)	-	18,792
Deferred Income tax assets				
Other deductible temporal differences	(143)	43	-	(100)
Tax losses	(54,837)	40,518	-	(14,319)
	<u>(54,980)</u>	<u>40,561</u>	<u>-</u>	<u>(14,419)</u>
Provision against ZDA tax incentives	12,617	453	-	13,070
Net deferred income tax liability	<u>13,948</u>	<u>3,495</u>	<u>-</u>	<u>17,443</u>

Year ended 31 March 2017

	At start of year	Charged/ (credited) to P/L	Current tax on items reclassified to P&L	At end of year
Deferred income tax liabilities				
Property, plant and equipment	31,907	24,404	-	56,311
Deferred income tax assets				
Other deductible temporal differences	-	(143)	-	(143)
Hedging instrument	(2,948)	-	2,948	-
Tax loss	(13,355)	(41,482)	-	(54,837)
	<u>(16,303)</u>	<u>(41,625)</u>	<u>2,948</u>	<u>(54,980)</u>
Provision against ZDA tax incentives	14,192	(1,575)	-	12,617
Net deferred income tax liability	<u>29,796</u>	<u>(18,796)</u>	<u>2,948</u>	<u>13,948</u>

Notes

17 Property, plant and equipment

	Buildings	Plant, containers & vehicles	Furniture and Fittings	Capital work in progress	Total
At 31 March 2016					
Cost	80,506	276,368	8,372	30,346	395,592
Accumulated depreciation	(6,856)	(71,239)	(6,478)	-	(84,573)
Net book amount	<u>73,650</u>	<u>205,129</u>	<u>1,894</u>	<u>30,346</u>	<u>311,019</u>
Year ended 31 March 2017					
Opening net book amount	73,650	205,129	1894	30,346	311,019
Additions	-	3,002	-	6,482	9,484
Disposals	-	(3,225)	-	-	(3,225)
CWIP transfers	10,929	21,198	76	(32,203)	-
Inter-company transfers	163	(2,069)	-	-	(1906)
Impairment	(3,793)	(4,472)	(58)	-	(8,323)
Depreciation charge	(2,435)	(23,181)	(137)	-	(25,753)
Closing net book amount	<u>78,514</u>	<u>196,382</u>	<u>1,775</u>	<u>4,625</u>	<u>281,296</u>
At 31 March 2017					
Cost	91,598	295,274	8,449	4,625	399,946
Impairment	(3,793)	(4,472)	(58)	-	(8,323)
Accumulated depreciation	(9,291)	(94,420)	(6,616)	-	(110,327)
Net book amount	<u>78,514</u>	<u>196,382</u>	<u>1,775</u>	<u>4,625</u>	<u>281,296</u>
Period ended 31 December 2017					
Opening net book amount	78,514	196,382	1,775	4,625	281,296
Additions	-	995	-	2,200	3,195
Disposals	-	(1,802)	-	-	(1,802)
CWIP transfers	-	128	-	(128)	-
Depreciation charge	(1,739)	(15,759)	(91)	-	(17,589)
Closing net book amount	<u>76,775</u>	<u>179,944</u>	<u>1,684</u>	<u>6,697</u>	<u>265,100</u>
At 31 December 2017					
Cost	87,805	290,123	8,391	6,697	393,016
Accumulated depreciation	(11,030)	(110,179)	(6,707)	-	(127,916)
Net book amount	<u>76,775</u>	<u>179,944</u>	<u>1,684</u>	<u>6,697</u>	<u>265,100</u>

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.

Major component under the Capital Work in Progress relates to the upgrade and enclosing of the Lusaka Plant.

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

18 Intangible assets

Computer software

	Software licenses
At 31 March 2016	
Cost	2,450
Accumulated amortization	<u>(1,784)</u>
Net book amount	<u>666</u>
Year ended 31 March 2017	666
Opening net book amount	-
Amortisation charge	<u>(582)</u>
At end of year	<u>84</u>
At 31 March 2017	
Cost	2,450
Accumulated amortisation	<u>(2,366)</u>
Net book amount	<u>84</u>
Period ended 31 December 2017	
Opening net book amount	84
Amortisation charge	<u>(84)</u>
At end of period	<u>-</u>
At 31 December 2017	
Cost	2,450
Accumulated amortisation	<u>(2,450)</u>
Net book amount	<u>-</u>

19 Inventories	31 December 2017	31 March 2017
Raw materials	2,451	31,989
Work in progress	945	632
Finished goods	2,322	1,719
General stores and consumables	<u>2,984</u>	<u>4,233</u>
	<u>8,702</u>	<u>38,573</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to K 114 million (March 2017: K 197 million).

At 31 December 2017, the provision made for inventory amounted to K0.8 million (March 2017: K0.4 million).

Notes

20 Trade and other receivables	31 December 2017	31 March 2017
Trade receivables	7,814	8,996
Less: Provision for impairment losses	<u>(2,734)</u>	<u>(1,330)</u>
	5,080	7,666
Amount due from related parties (Note 27)	2,853	23,745
Other receivables	<u>7,213</u>	<u>2,730</u>
	<u>15,146</u>	<u>34,141</u>
<p>The carrying amount of trade and other receivables approximate their fair value.</p> <p>Movements on the provision for impairment of trade receivables are as follows:</p>		
At start of the period	1,330	141
Provision for receivables impairment	<u>1,404</u>	<u>1,189</u>
At end of period	<u>2,734</u>	<u>1,330</u>
<p>21 Cash at bank and in hand</p>		
Cash at bank	43,501	15,181
Cash in hand	<u>105</u>	<u>154</u>
	<u>43,606</u>	<u>15,335</u>
<p>22 Trade and other payables</p>		
Trade payables	31,546	18,700
Amounts due to related companies (Note 27)	38,190	204,912
Accrued expenses	29,570	24,453
Dividends payable	1,967	1,967
Other payables	<u>-</u>	<u>885</u>
	<u>101,273</u>	<u>250,917</u>

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

23 Borrowings

	31 December 2017	31 March 31 March 2017
Current		
Term loan facility – principal	10,000	-
Non-current:		
Term loan facility – principal	90,000	-
Total borrowings	<u>100,000</u>	<u>-</u>

The term loan facility is held with Stanbic Bank Zambia Limited following an agreement entered into on 21 December 2017. The facility is unsecured and it is for a period of 5 years that is to be repaid bi-annual at prescribed repayment amounts. The interest rate is aggregate of the applicable Bank of Zambia policy rate, a margin of 9.5% and applicable liquidity premium. For the period ended 31 December 2017, the effective interest rate was 21.50%.

24 Cash generated from operations

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

	Nine month period ended 31 December 2017	Year ended 31 March 2017
Profit/(loss) before income tax	12,769	(64,577)
Adjustments for:		
Interest income (Note 10)	(583)	(16)
Interest expense (Note 10)	9,764	18,243
Amortisation on computer software (Note 18)	84	582
Depreciation (Note 17)	17,589	25,753
Loss/(profit) on sale of property, plant and equipment (Note 7)	145	(410)
Impairment of plant and equipment	-	8,323
Unrealised foreign exchange differences	(601)	3,658
<i>Changes in working capital</i>		
- Trade and other receivables	18,995	(5,243)
- Inventories	29,871	18,284
- Trade and other payables	<u>(149,644)</u>	<u>(18,159)</u>
Cash generated from operations	<u>(61,611)</u>	<u>(13,562)</u>

25 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 rise to any significant loss. The value of potential claims against the Company, which are not provided for, is K 12.8 million (March 2017: K12.8 million).

Notes

26 Commitments

Capital commitments

The Company had no capital commitment during the period (March 2017: K0.1 million).

27 Related party transactions and balances

AB InBev through its subsidiary, Heinrich Syndicate Limited agreed to sale 70% of its shareholding in National Breweries Plc to Chibuku Products Limited, a subsidiary of Delta Corporation Limited of Zimbabwe. Effective 28 December 2018, Delta Corporation Limited became the new ultimate parent with full control of National Breweries Plc.

The related parties referred to in the disclosure below comprise entities previously related to the Company through common shareholdings or common directorships during its tenure as a subsidiary of Heinrich Syndicate Limited – a company ultimately controlled by AB InBev Plc.

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

i) Interest on amounts to/from related parties	Nine month period ended 31 December 2017	Year ended 31 March 2017
Fellow subsidiary:		
<i>Zambian Breweries Plc</i>		
Interest income	583	16
Interest expense	(9,483)	(18,169)
Net interest expense	<u>(8,800)</u>	<u>(18,153)</u>
ii) Purchase of goods and services		
Fellow subsidiaries:		
Mubex	<u>18,265</u>	<u>33,289</u>
	<u>18,265</u>	<u>33,289</u>
iii) Sale of goods and services		
Parent company:		
Heinrich's Syndicate Ltd	<u>2,853</u>	<u>4,955</u>
(iv) Royalties		
Fellow subsidiary:		
SABMiller International BV	<u>6,455</u>	<u>10,700</u>

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

4. FINANCIAL STATEMENTS

For the nine month period ended 31 December 2017 (All amounts are in thousands of Kwacha unless otherwise stated)

Notes

27 Related party transactions and balances (continued)

	Nine month period ended 31 December 2017	Year ended 31 March 2017
v) Management fees		
Fellow subsidiaries:		
Bevman Services AG	<u>2,281</u>	<u>3,962</u>
The management fees relate to services provided by Zambian Breweries Plc resulting from the integration of the support functions of the companies.		
vi) Key management compensation	31 December 2017	31 March 2017
Salaries and other short-term employment benefits	<u>921</u>	<u>2,568</u>
vii) Directors' remuneration		
Fees for services as a director (included in key management compensation above)	<u>376</u>	<u>1,768</u>
viii) Outstanding balances arising from sale and purchase of goods/services		
	31 December 2017	31 March 2017
Amounts due from related parties		
Parent company:		
Heinrich's Syndicate Limited	2,853	23,563
Fellow subsidiary:		
Chibuku Products Limited	<u>-</u>	<u>182</u>
	<u>2,853</u>	<u>23,745</u>
Amounts due to related parties		
Fellow subsidiaries:		
Zambian Breweries Plc	35,138	197,583
Mubex	-	4,559
SABMiller International BV	2,201	2,008
Bevman Services AG (Management fees)	<u>851</u>	<u>762</u>
	<u>38,190</u>	<u>204,912</u>

5. Principal Shareholders and Distribution of Shareholders

National Breweries Plc Principal shareholders

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

	Name of shareholder	%	Number of shares
1.	Chibuku Products Limited	70.00	44,100,000
2.	Standard Chartered Zambia Securities Services	8.95	5,638,541
3.	Public Service Pensions Fund Board	8.17	5,147,500
4.	Saturnia Regna Pension Trust Fund	2.75	1,735,177
5.	National Pension Scheme Authority	2.22	1,400,000
6.	Workers' Compensation Fund Control Board	1.24	780,666
7.	Local Authority Superannuation	0.60	378,620
8.	Kcm Pension Trust Scheme	0.44	277,290
9.	Barclays Bank Staff Pension Trust Fund	0.44	275,446
10.	M.P.T.L. L	0.40	250,000
	Total selected	95.21	59,983,240
	Not selected	4.79	3,016,760
	Issued shares	100.00	63,000,000

Distribution of shareholders

	Number of shareholders	%	Number of Shares
Less than 500 shares	509	53.19	153,646
501 – 5,000 shares	366	38.25	673,763
5,001 – 10,000 shares	30	3.13	228,391
10,001 – 100,000 shares	38	3.97	1,128,266
100,001 – 1,000,000 shares	9	0.94	2,519,270
Over 1,000,000 shares	5	0.52	58,296,664
Total	957	100	63,000,000

6. Directorate and Corporate information

Corporate Information

CHAIRMAN

Valentine Chitalu*

CURRENT DIRECTORS

George Sokota*
Jose Daniel Moran Ramirez †
Pearson Gowero**
Ethereon Mpisaunga**
Faith Mukutu*

COMPANY SECRETARY

Deborah Bwalya***

PHYSICAL ADDRESS

Plot No 1609/10
Sheki Sheki Road
P O Box 35135
Lusaka

LEGAL ADVISORS

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

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
Zambia National Commercial Bank

AUDITOR

PricewaterhouseCoopers
PwC Place
Thabo Mbeki Road
P O Box 30942
Lusaka

REGISTRARS

Corpserve Transfer Agents Limited
6 Mwaleshi Road,
Olympia Park
Lusaka

* *Zambian* ** *Zimbabwean* ****British* † *Equadorian*

Profile

Founded : 1952
Listed : 1994

SECTOR

Consumer goods (Beverage Industry)

NATURE OF BUSINESS

Production and distribution of clear beer
and soft drinks

POSTAL ADDRESS

Box 35135, Lusaka, Zambia

REGISTERED OFFICE

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

WEBSITE

www.ab-inbev.com

Glossary of Terms and Abbreviations

BASC

Business Anti-Smuggling Coalition. This is a business-led alliance, supported by the U.S. Customs Service, created to combat narcotics smuggling via commercial trade.

BBP

Business and budgeting process.

BEIA

Before exceptional items and amortisation of acquisition related intangible assets.

Cash conversion ratio

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

DAG

Delegation of Authority Guide

Depletions

Sales by distributors to the retail trade.

Dividend payout

Proposed dividend as percentage of net profit (beia).

Earnings per share

• **Basic**

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

• **Diluted**

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

EBIT

Earnings before interest and taxes and net finance expenses.

EBITDA

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

Effective tax rate

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

EIA

Exceptional items and amortisation of acquisition-related intangible assets.

Fixed costs

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

Free operating cash flow

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

Innovation Rate

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

ISO

International Standards Organisation.

MICS

Minimum Internal Controls Standards.

Net debt

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

Net debt/EBITDA (beia) ratio

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

Net profit

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

Organic growth

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

Organic volume growth

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

Operating profit

Results from operating activities.

Profit

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

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Revenue

Net realised sales proceeds in Zambian Kwacha.

TSC

Target Setting and Cascading.

Top-line growth

Growth in net revenue.

SOX

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

Volume

100 per cent of beer volume produced and sold.

Weighted average number of shares

Basic

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

Diluted

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

ZBB

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



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