ZAMBIAN BREWERIES PLC

Thundering Together

1 2 3 4 5

Annual Report 2018

55 Years of Zambian Brewing


Eagle
Eagle
IT'S EAGLE TIME!
CELEBRATE THE TASTE OF OUR LAND
ALCOHOL MAY BE HAZARDOUS TO HEALTH IF CONSUMED TO EXCESS, THE OPERATION OF MACHINERY OR DRIVING AFTER THE CONSUMPTION IS NOT ADVISABLE
18
NOT FOR SALE TO PERSONS UNDER THE AGE OF 18 YEARS
DRINK RESPONSIBLY

ZAMBIAN BREWERIES PLC

The Company was established in Zambia in 1968 and its product range has grown to include clear beers such as Mosi Lager, Castle, Carling Black Label and Eagle lager as well as the Coca-Cola, Sprite, Fanta and Schweppes brands. Zambian Breweries Plc became part of Anheuser-Busch InBev (AB InBev), the largest brewer in the world, with more than 400 beer brands and some 200,000 employees in over 50 countries and also one of the world's largest bottlers of soft drinks, following a merger with SABMiller Plc in October, 2016.

This is the Annual Report of Zambian Breweries Plc for the year ended 31 December 2018. This information may be updated or documented with the SEC or later amended if necessary, although Zambian Breweries Plc does not undertake to update any such information. The Annual Report is made available to all shareholders on the Lusaka Stock Exchange website (www.luse.co.zm). This report includes names of Zambian Breweries Plc products, which constitute trademarks or trade names which Zambian Breweries Plc owns or which others own and license to Zambian Breweries Plc for use.
In this report, the term 'Company' and 'Zambian Breweries' refers to Zambian Breweries Plc, except as the context otherwise requires. Zambian Breweries Plc's Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). References to IFRS hereafter should be construed as references to IFRS as issued by the IASB.

10 Principles

Dream

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

People

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

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

Culture

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

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

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

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

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

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

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

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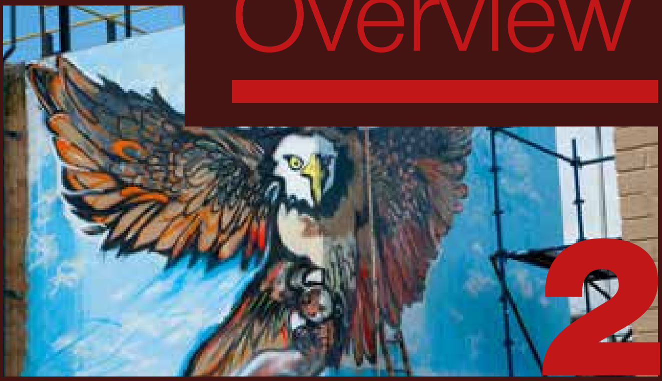

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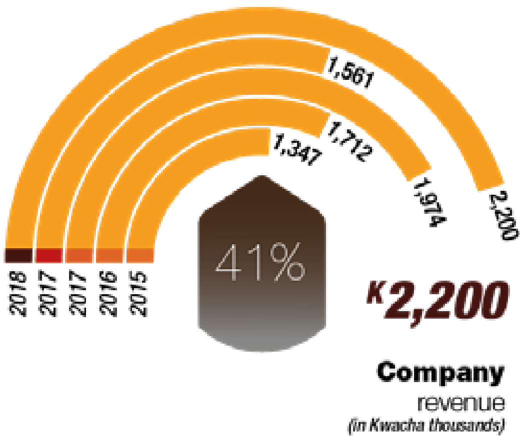
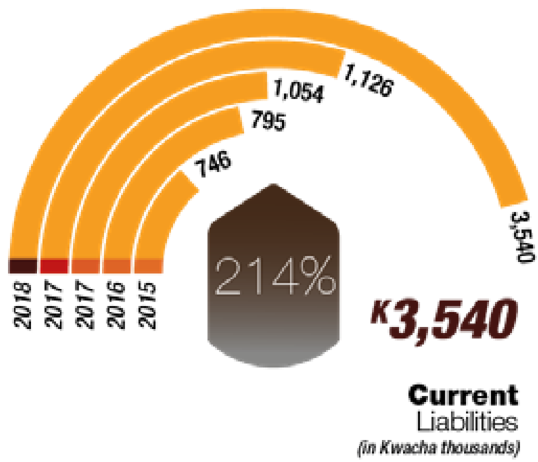
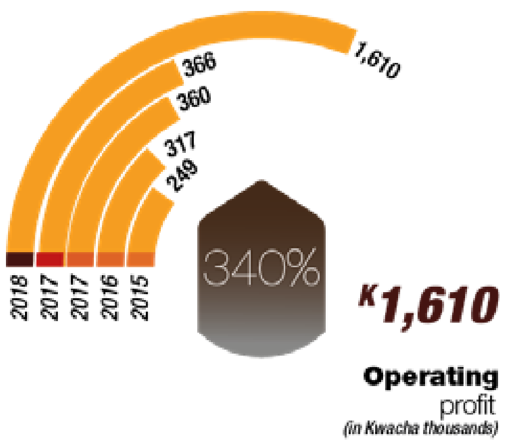
1 Financial Highlights

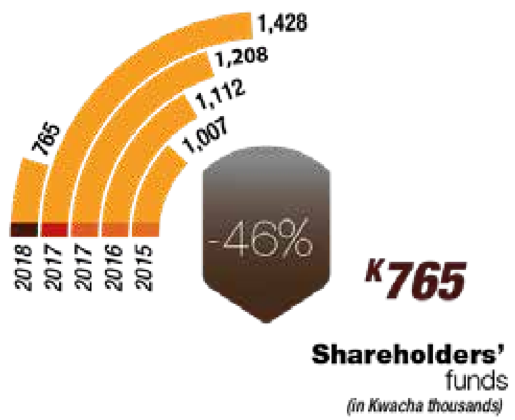
(In Kwacha thousands)	2015	2016	Year ended 31 March 2017*	Nine Months ended 31 December 2017*	2018	2018
Company turnover (Incl. excise duty and discounts)	1,777,811	2,181,228	2,494,328	1,986,512	2,843,168	43%
Company revenue (Excl. excise duty and discounts)	1,347,869	1,712,869	1,974,021	1,561,138	2,200,228	41%
Operating profit	249,842	317,812	360,957	366,017	1,610,040	340%
Profit before income tax	186,050	278,181	185,806	320,029	1,618,942	406%
Profit for the year	131,837	194,150	128,168	220,820	1,456,136	559%
Total assets	2,091,312	2,462,581	2,674,626	3,062,546	4,931,900	61%
Current liabilities	746,963	795,774	1,054,306	1,126,438	3,540,971	214%
Shareholders' funds	1,007,509	1,112,129	1,208,034	1,428,854	765,300	-46%

*** Note change of financial reporting year in 2017**









2 Business Overview

Chairman's Report

Economic Landscape

The year to December 31, 2018 has been a year of significant activity at Zambian Breweries within the context of economic growth, which, although at a respectable 4% level, is still below average GDP growth of over 5% in the previous decade.

Forcasted economic growth for 2018 remained at an expected 4% and interest rates stayed stable, but the value of the Kwacha slipped in the final quarter amid uncertainty about a number of variables relating to copper prices on international markets, Government debt levels and the timing of an IMF package, and external threats such as a USA/China trade war, which will remain an issue in 2019.

Zambian Breweries remains confident in the long-term economic potential of Zambia and will continue to work closely with Government while investing strongly to meet future demand.

Strategic Review

During the year our US$30 million investment in a new packaging line in Ndola was completed, and our US$33 million Malting Plant in the Lusaka South Multi-Facility Economic Zone (MFEZ) reached full capacity.

Across the country 1,100 staff were directly employed, with many more jobs and businesses created indirectly.

The growth in production and sales enabled us to follow through on the voluntary excise commitments agreed with Government for 2015-2017, with excise tax payable to Government increasing from K322 million in the nine months to December 31, 2017 to K491 million in 2018.

Zambia's farmers also shared in our growth, and we engaged approximately

6,000 small-scale farmers who produced 7,500mt of cassava in Luapula for our affordable Eagle lager during the year.

Wider communities also benefitted through a number of initiatives, including the handover of 28 houses to community members near Itawa Springs in Ndola following a US$500,000 investment. The Zambian Breweries youth mentorship programme was launched as part of our alcohol responsibility policy implementation.

Against the economic shifts outlined above, we have seen divergence of market segmentation, both geographically and among income groups.

I am delighted to report that beer volumes grew 23% compared with the previous year, with growth supplemented by imported brands and alcoholic fruit flavored beverages. The 2018 year saw two important milestones for our beer brands, with the launch of Stella Artois and Budweiser, both iconic premium brands that have shown strong growth.

Both launches demonstrated the drive of our Sales and Marketing teams, and emphasised the market-driven nature of our business.

Carbonated soft drinks

Carbonated soft drinks volumes fared less well due to low stocks of returnable glass bottles, despite an injection of glass prior to the disposal of the soft drinks business. In December we finalised the sale of our Coca-Cola bottling business to The Coca-Cola Company, following shareholder and regulatory approvals.

Under the sale, identified employees were all re-employed by a newly formed entity, Kalundu Beverages Limited, trading as Coca-Cola Beverages Zambia. Zambian Breweries will continue to manufacture and bottle Coca-Cola soft drinks under a “co-packaging” contract. The sale paved the way for us to focus fully on our clear beer operations, and I would like to thank all the management and staff involved in what was a lengthy and complicated transaction.

Smart Drinking

In May the Government launched its National Alcohol Policy to ensure that the production, sale, distribution and consumption of alcohol are undertaken in a responsible manner.

Zambian Breweries wholeheartedly supports this policy, which is particularly encouraging given that it is based on extensive consultation and research, and takes account of the wider root causes of alcohol abuse.

We share the vision set out in the National Alcohol Policy of a nation free from the negative social, health and welfare consequences of alcohol abuse, in order to enhance national development. In particular, the Company continues to work hard to prevent under-age drinking through education and awareness campaigns, and developing youth empowerment programmes in schools and communities. In addition, we will continue working with the Road Transport and Safety Agency to curb drinking and driving, and continuously urge moderation through communication with consumers and stakeholders.

The Company has also been vocal in calling for a clampdown on the sale and consumption of illicit high-alcohol products such as ‘tujilijili‘ and ‘junta’, as well as alcohol smuggling, both problems highlighted in a report we commissioned from Euromonitor, an independent researcher, during the year.

Outlook

The Government is under increasing pressure to reduce expenditure, raise more revenue and tighten monetary policy, and this may have a knock-on effect on disposable incomes.

We also face new extended producer packaging legislation, an issue we take very seriously through our continued commitment to the Manja Pamodzi community empowerment project to collect post-consumer packaging waste from key areas in Lusaka.

Despite these challenges, the rapid growth of Zambia’s middle class remains an opportunity, particularly in the premium brands segment.

Concomitantly, we see continued opportunities to increase availability and affordability in lower income segments. The strategy will complement Government efforts to counteract illicit, cheap beer as well as smuggled beer.

When combined, these diversified growth strategies will help mitigate economic exposure and provide Zambian Breweries with a two-pronged approach to growing *per capita* beer consumption in a market which has among the lowest consumption levels in the world.

Valentine Chitalu

Chairman of the Board of Directors

Country Director's Report

Super Thunderous Year of Record-Breaking

Thanks to you, 2018 was another record-breaking year for Zambian Breweries. We look forward to "thundering together" even more in the year to come.

Zambian Breweries delivered another exceptional year of growth and success. The strong results we recorded are positive proof that the Company's strategy is paying off. Our new operating model – simpler, leaner and focused on the beer category – ensures we free- up resources to support sustainable and profitable growth. In combination with our consumer mindset (the consumer is our boss), we continued increasing our market leadership and the desirability of our brands and packs across the market.

Our brands are household names and are testament to the market-driven nature of what we do. Indeed, our Marketing and Sales teams are the engines of Zambian Breweries' growth, helping to drive production to record levels in 2018, selling more than 2 million hectolitres for the first time in the Company's history.

For the first time ever, in December our packaging lines in both breweries combined bottled more than 10,000 hectolitres in a single day. These are super thunderous achievements of which we can all be proud.

Finally, 2018 marks the 30th anniversary of the incorporation of Zambian Breweries, the nation's most popular beer producer, and 55 years of brewing since the establishment of the brewery by South African Breweries in 1963 up to its existence today under AB InBev (see the details of our history on pages 10-11).

Commercial Performance

Results for the year 2018 were remarkable, especially on the clear beer side, with volumes growing at a record of 23%. Our total volumes grew by 13%, partially eroded by a decline of 8% in the soft drinks category, leading to a total growth of 11%.

The increase resulted from the successful execution of our growth strategy, driven by expanding distribution through a "go deep and go rural" plan linked to affordability, coupled with targeting the growing middle class segment with our locally produced and imported premium beer brands.

Locally manufactured beer sales volumes were up 29% above prior year, driven by strong growth of the 750ml mainstream and affordable packs. The mainstream 750ml pack recorded impressive 166% growth, while the affordable 750ml pack recorded 77% growth.

The launch of Budweiser and Stella Artois continued to gain traction, having been well received in the market. The premium segment is back to growth with an 8% improvement against prior year, thanks to the recovery of Castle Lite and the introduction of Stella Artois and Budweiser. Strong gains were recorded by Stella Artois in the high end segment, and there were encouraging results from Budweiser.

Soft drinks volume performance faced heavy competition from non-alcoholic drinks on the market, leading to an 8% drop against prior year.

Marketing

Our Marketing Department excelled this year, launching two flagship global brands in the market: Budweiser and Stella Artois, with more "thundering" news for consumers in the upcoming year.

Once again our Mosi Day of Thunder music festival in Livingstone proved a national cultural highlight, while the Castle 5's final with soccer icon Samuel Eto'o generated goodwill and brand awareness on an unprecedented scale.

The year 2018 was also very active on our Smart Drinking agenda. We believe there is a universal truth about beer: it brings people together to celebrate life. Therefore, as the leading global brewer, we believe we have a unique role to promote responsible drinking and discourage harmful drinking, and we will continue taking this seriously.

Financial Performance

Our operating profit posted an amazing growth of 340% against prior year as a result of the strong revenue growth mentioned above, the exceptional earnings related to the proceeds from the sale of the soft drinks business, and comparison of one-off costs incurred last year (including voluntary separation payments, spares write-offs and bad debt provisions taken to align with AB InBev accounting policies).

On clear beer profitability, we finished on target with our budget, delivering an operational profit growth of 29% and an excellent 51% EBITA margin. Our superb performance is the result of a new, simpler, leaner and single-minded DREAM, to grow volumes up to 3 Million hectolitres by 2020, and the successful anchoring of our AB InBev ownership culture to manage our costs tightly and to focus on promoting internal talent, resulting in an improvement in people engagement and morale levels.

Investment

In June we launched the latest phase of our US$30 million expansion project in Ndola with the commissioning by the Minister of Commerce, Trade and Industry of a new packaging line as part of the investment that will allow our Ndola plant to double its production capacity. We have also seen plant upgrades in Lusaka (under a 3 year investment plan), which will ensure sufficient capacity in the pipeline to achieve our volume growth aspirations.

A promising outlook

We are braced for a demanding year in 2019, amid economic uncertainty, increased regulation and a continued threat from smuggling and illicit alcohol.

On the positive side, the disposal of the Coca-Cola business will enable us to focus on our clear beer objectives, and to reach out to a growing middle class, which remains receptive to our premium brands.

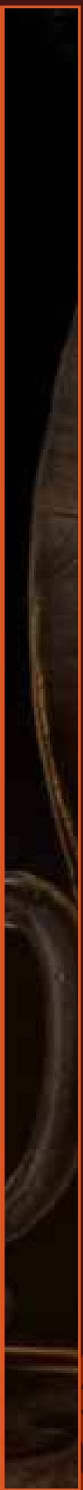
We believe our twin strategy of targeting affordable and premium markets will diversify economic risks and position us well to take advantage of the opportunities.

Our strengths lie in our exceptional brand portfolio of both locally brewed and imported beers, and a strong, productive and stable management and workforce, with the expertise and experience to produce world-class beers.

Finally, I would like to extend my gratitude to our consumers, customers, suppliers, farmers, partners in general and shareholders for their inspiration, guidance and support, and to our "Super Thunderous" employees, who dedicate themselves to delivering outstanding results and who embody our core values and principles – we are never completely satisfied with our results, which is the motor of success of our Company.

Jose Moran Ramirez

Zambia Country Director



55 Years of Zambian Brewing

Zambian Breweries celebrates its 30th anniversary as the Company continues on a new and exciting chapter in its history after joining the AB InBev family in 2016 following the global giant's SABMiller takeover. Zambian Breweries evolved from Northern Breweries Limited, formed in 1963 by South African Breweries (80%) and Labatt Breweries of Canada (20%).

The Company was nationalised in 1968, when the state-owned Industrial Development Company (INDECO) acquired 55% of its shares from South African Breweries (SAB) and SAB's remaining 25% was sold to ZAMIC, a subsidiary of the Anglo-American Corporation. In 1988, Labatt sold its 20% to INDECO and the Company was renamed Zambian Breweries Limited, operating from two production facilities: Lusaka (Central Division) and Ndola (Northern Division).

As part of the Government's 1990s privatisation programme, the Company's assets and liabilities were split into two newly incorporated companies: Central Division was transferred to Lusaka Breweries Limited while the Northern Division became Northern Breweries (1995) Plc. Lusaka Breweries Limited later changed its name to Zambian Breweries Plc, which owned the assets and liabilities of Central Division, and the Mosi trademark.

In 1994, SABMiller bought an additional 45% of Zambian Breweries and assumed management control in 1994. In 1999, Zambian Breweries acquired 100% of the shares of Northern Breweries.

In October 2016 SABMiller was bought out by AB InBev, and Zambian Breweries welcomed a new corporate culture centred on its parent's global Dream "to bring people together for a better world through our products, brands and investment in our communities".

Our shared heritage, passion for brewing and commitment to quality will allow us to achieve more together than we could apart. We are building a Company to last – not just for a decade, but for the next 100 years.

3 Sustainability Report

2025 SUSTAINABLE DEVELOPMENT GOALS AND INITIATIVES

Better World:

Our Dream is to Bring People Together for a Better World. We are building a Company to last, brewing beer and building brands that will continue to bring people together for the next 100 years and beyond.

Zambian Breweries has aligned its sustainability goals with the Better World ethos and 2025 Sustainable Development Goals of its parent group, AB InBev.

These encompass five pillars:

»

1 Smart Agriculture

2 Circular Packaging

3 Water Stewardship

4 Climate Action

5 Smart Drinking

SMART AGRICULTURE

Our Goal: By 2025,100% of our direct farmers will be skilled, connected, and financially empowered.
To enhance local sourcing of raw materials we are providing a market and technology for farmers to trade, and are empowering small to medium-scale, as well as large-scale local farmers with farming input and yield support.

Initiatives include:

- Cassava Farming – our target is to engage 6,000 small-scale farmers to supply raw material for our Eagle lager brand.
- BanQu Launch – an online buying project for cassava farmers was launched in Chembe/Mansa to enhance identification of smallholder farmers in the value chain.
- Barley and Maize Farming – we continue to be a market for local farmers of barley and maize, key ingredients to our products.

SMART DRINKING

Goals: Reducing under-age drinking (through influencing social norms), strengthening and expanding marketing codes of practice, providing consumer information and responsible product innovation and reducing drinking and driving.
Ethical sales and marketing are key elements in ensuring alcohol is enjoyed responsibly and the public are protected from alcohol abuse.
The Company's approach to production, advertising and selling of its beer is safeguarding the public and providing them with smart drinking choices.
Our Sales and Marketing Compliance Committee scrutinises each promotional campaign before release.
Zambian Breweries supports Government's National Alcohol Policy.
Initiatives include:

- The Zambian Breweries Mentorship Programme to guide young people to make positive life choices.
- Rehabilitation of the Bauleni community football field.
- Media awards recognising journalists who promote the responsible drinking message.
- Partnership with the Road Transport and Safety Agency in Lusaka and Ndola on a 'Don't Drink and Drive' campaign.
- Memorandum of Understanding with the Drug Enforcement Commission to curb alcohol abuse.

WATER STEWARDSHIP

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

Initiatives include:

- Itawa Springs – in partnership with the German Government's development arm GIZ, Habitat for Humanity and Ndola City Council, 28 families who previously illegally settled on the Springs have been relocated and settled in modern housing with water and sanitation facilities. The Spring site has since been restored.
- Sponsorship of the Lower Kafue Basin Water Situation Analysis Report, produced by the World Wildlife Fund Zambia (WWF), which underpins the need for the river and its catchment area to be conserved to ensure a sustainable, quality water supply.
- Zambian Breweries donated over K2.5 million of a wide range of items in support of Government's efforts to contain the outbreak of cholera at the start of the year.
- Community Water Boreholes (George Compound) in partnership with Lusaka Water and Sewerage Company.
- To celebrate World Water Day we invited gifted graffiti artists to create a magnificent piece of art on our water tank in Lusaka.

CIRCULAR PACKAGING

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

- Manja Pamodzi – in partnership with the Millennium Challenge Account and supported by the Zambian Environmental Management Agency (ZEMA) and Lusaka City Council, communities are supported to clean up their environment and improve their livelihood by collecting post-consumer packaging waste.
- Manja Pamodzi received the Green Award from the Zambia Environmental Management Agency for its commitment to promotion of environmentally sound management and continuous improvement strategies.
- Manja Pamodzi has been registered as a separate entity and is the driver of our extended producer responsibility activities.

CLIMATE ACTION

Goal: 100% of our purchased electricity will be from renewable sources and a 25% reduction in CO_2 emissions across our value chain (science-based).

Initiatives include:

- Participation in AB InBev's pan-African Sustainability Challenge that called on entrepreneurs to present sustainable solutions to problems.The challenge was open to eleven countries including Zambia. 25 participants were selected for the next round, one of whom was Mwila Lwando, a Lusaka businessman who proposed setting up of a water treatment plant that generates energy from bio-waste.

4 Corporate Governance

Corporate Governance Statement

As 2018 drew to a close, we saw the second year of growth of our governance architecture as AB InBev's culture was strengthened and entrenched to ensure a robust control environment to protect the interests of our shareholders and wider stakeholders. This year has been marked in particular by new systems relating to finance and procurement and our supplier value chain, and the issuance by the Ministry of Health of the National Alcohol Policy, which echoes our commitment to responsible drinking. We also introduced our Anti-Harassment and Anti-Discrimination Policy to foster our principles of diversity and inclusion.
The Company's Mission Statement and its goals remain in sharp focus and inform all our policies and practices.

Mission Statement and Goals

10 Principles

Dream

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People

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6. We are a Company of owners. Owners take results personally.
7. We believe common sense and simplicity are usually better guidelines than unnecessary sophistication and complexity.
8. We manage our costs tightly, to free up resources that will support sustainable and profitable top-line growth.
9. Leadership by personal example is at the core of our culture. We do what we say.
10. We never take shortcuts. Integrity, hard work, quality, and responsibility are key to building our Company.

Competition law compliance

Through our Lighthouse Project we continued to monitor and track compliance with competition law through risk assessment and mitigation action plans. During the year our Sales Team benefitted from training and our Global Legal Director – Anti-Trust visited our operations and liaised with senior officials from the Competition and Consumer Protection Commission (CCPC). We also had the pleasure of hosting the CCPC to meet our Country Director to set the tone at the top.

Anti-corruption and Bribery

In addition to our strict compliance programme, including reporting to a centralised Compliance Channel for approval of gifts and donations to ensure compliance with the US Foreign Corrupt Practices Act, we invited the Anti-Corruption Commission to train key employees.

The Board

The Board of Directors and Senior Management had oversight of our governance structures, control environment and legal compliance:

- The Board monitors material breaches of the Code of Ethics through the Audit Committee.
- The Board approved the Company's strategies.
- The Board monitored performance throughout the year against the approved budget.
- The Board monitored Key Performance Indicators for all functional heads.

The Board of Directors sat each quarter during the past financial year 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 Section 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 and independence from the Executive.

The Chairman of the Board is an Independent Non-Executive Director and Board members retire and are re-elected at the Annual General Meeting in line with the Company's Articles of Association and the Companies Act.

The appointment of the Statutory Auditors and their remuneration is approved by the Board and the shareholders at the Annual General Meeting.

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

Delegation of Authority

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

The following remain the remit of the Board: Corporate Acts, Strategic Planning, Capital Expenditure and Annual Budget Approval, Asset Disposals, and Borrowing Powers.

Board Attendance and Meetings

The Board of Directors was composed of the following members during the financial year:

BOARD COMPOSITION	
Valentine Chitalu	Independent Non-Executive
George Sokota	Independent Non-Executive
Pedro Cruz	Non-Executive
Martyn Brunnock	Non-Executive
Jose Daniel Moran Ramirez	Executive
Faith Mukutu	Non-Executive
Mulwanda Sichula	Executive
Derrick Jansen van Vuuren	Non-Executive

The following meetings were held during the period under review:

MEMBERS	28th February 2018	26th April 2018	25th July 2018	1st November 2018
Valentine Chitalu	√	√	√	√
George Sokota	√	√	√	√
Pedro Cruz				√
Martyn Brunnock	√	√	√	√
Jose Daniel Moran Ramirez	√	√	√	√
Faith Mukutu	√	Resigned 29th March 2018		
Mulwanda Sichula				Appointed 1st November, 2018
Derrick Jansen van Vuuren				Appointed 1st November, 2018

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. The Audit Committee relies on Management Representation Letters as signed by the function heads.

AUDIT COMMITTEE COMPOSITION	
George Sokota	Independent Non-Executive
Richard Rivette-Carnac	Non-Executive
Martyn Brunnock	Non-Executive

MEMBERS	28th February 2018	26th April 2018	25th July 2018	1st November 2018
George Sokota	√	√	√	√
Richard Rivett-Carnac	√	√	√	√
Martyn Brunnock	√	√	√	√

Management and Control

Executive Committee

See below members of the Executive Committee during the financial year:

MEMBER	FUNCTION
Jose Daniel Moran Ramirez	Country Director
Rebecca Handahu	Acting Finance Director
Mulwanda Sichula	Country Lead Finance
Franz Schepping	Brewing Operations Director
Sibajene Munkombwe	Head of Marketing
Anton Terblanche	Head of Logistics
Ezekiel Sekele	Corporate Affairs Director
Thecla Chilokota (*)	Country Lead People
Siandele Matantilo	Head of Procurement

** Our heartfelt condolences at Ms Thecla Chilokota's passing on 17th January, 2019*

The Management Committee implements strategy and provides operational oversight. The Committee met on a monthly basis during the period under review.
Each functional head sits on the Management Committee and is accountable to the Board to ensure that adequate controls are in place for the implementation of their respective functions. Committee members are responsible to the Audit Committee regarding compliance of operational risks.

Internal Control

The Internal Control Framework comprises four pillars:

- **Minimum Internal Controls Standards** – 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.

Our internal controls approach covers "Three Lines of Defense", as set out below:

The Three Lines Of Defence

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

<table>
<tr><th>1st Line
Business Operations</th><th>2nd
Oversight functions</th><th>3rd
Challenge and Assurance</th></tr>
<tr><td>• Our shared Dream and the 10 principles
• Written policies, traditional procedures and 'leading by example'
• Goals and Key Performance Indicators follow-up
• Corporate structure and reporting lines
• Delegation of Authority Guidelines (DAG), Budget and Business Planning (BBP), Zero Based Budgeting (ZBB)
• Other key activities including Target Setting and Cascading (TSC), Business continuity planning purchasing , Segregation of Duties and Assessments</td><td>• Letter of Representation
• Functional oversight from Group
• Quality review
• Minimum Internal Control Standards (MICS)/Sarbenes Oxley control defini-tion and deployment
• Risk management and follow-up
• Compliance committees
• Money Laundering and Anti-Bribery prevention processes
• Information Security</td><td>• Internal Audit function
• Whistleblowing/Ethics line
• Independent assurance from external parties (e.g. insurance surveyors, International Standards Organisation (ISO) and Business Alliance for Secure Commerce (BASC) accreditations)
• External audit
• Securitites and Exchange Commission, Local Government and statutory regulatory controls</td></tr>
<tr><td>Management Responsibility</td><td colspan="2">Governance and Support Structures</td></tr>
</table>

Toll-free Whistleblowing Line

An independent whistleblowing 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 Assesment

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

Policies

Code of Ethics

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

Human Rights Policy

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

Diversity and Inclusion - Anti-harassment and Anti-discrimination Policy

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

Alcohol Responsibility Policy

The Sales, Marketing, and Compliance Committee reviews Sales and Marketing activities (brand campaigns, promotions, new launches, print media or digital communication and outdoor advertising) prior to release into the market. The Committee is headed by an independent chairperson.

Alignment to the National Alcohol Policy

This year saw the finalisation of the National Alcohol Policy under the auspices of the Ministry of Health. The Company supports the contents of the Policy, in its efforts to reduce the harmful effects of alcohol abuse and the promotion of alcohol consumption for social cohesion.

The Policy recognises that alcohol engenders both benefits and the potential for harm and seeks to put in place measures to minimize risks. It recognises lax enforcement of legislative measures and illicit alcohol. However, it also recognises that alcohol which is manufactured, distributed and sold legally and consumed responsibly is acceptable and contributes to revenue. The policy focuses on education, treatment and rehabilitation of abusers of alcohol, and the role of statutory bodies and key players in implementing the legal framework. It emphasises:

1. Human rights (protection from abuse, the right to do legitimate business and consume alcohol in accordance with the law).
2. The need for political will and leadership.
3. Multi-sectoral approach
4. Reliance on science and objective information.
5. Public health approach.
6. Sustainability.

Accolades and Awards

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

- The Zambia Chamber of Commerce and Industry 2018 award – Recognition of Exemplary Support.
- The Zambia Chamber of Commerce and Industry 2018 award – Water Stewardship.
- The Zambia Chamber of Commerce and Industry 2018 award – HIV/AIDs.
- Zambia Association of Manufacturers 2018 award – Environment (Manja Pamodzi).
- Zambia Association of Manufacturers 2018 award – Recognition of Exemplary Support
- Zambia Association of Manufacturers 2018 award – Sector Representative of the Year (Ezekiel Sekele – Corporate Affairs Director).
- National AIDS Council – HIV/AIDS Workplace Award.
- 2nd Prize in the Product of the Year - Large Enterprise category at the Zambia Annual Quality Awards.

Occupational Health and Safety

The tool to achieving constant improving in our operations is Voyager Plant Optimisation (VPO). The mantra “Safety First, Quality Always and VPO Forever”, emphasises the importance of the safety of our people in delivering consistent product to the satisfaction of the consumer.

- The VPO Management Pillar is one of the two horizontal pillar (“house foundations” and “roof support”) of the VPO pyramid, and provides management tools and standardised methods aligned to the dream and our culture.
- More than a pillar, Management is the link between the means and the results, therefore the “glue” between the other Pillars and the Results.

The Safety Pillar Ensures Excellence (Injury Free) =
Compliance with technical/ procedures/ safe practices standards + Promotion of Safe Behavior + Leadership Ownership

Quality

Our dream connects our products with our passion for quality

‘’To Have the Best and Freshest Beers in the Market with Consumer Compliments Exceeding Complaints’’

- Beer brings people together
- Beer crosses political cultural, and language barriers
- Beer excites people

Toll-free Line

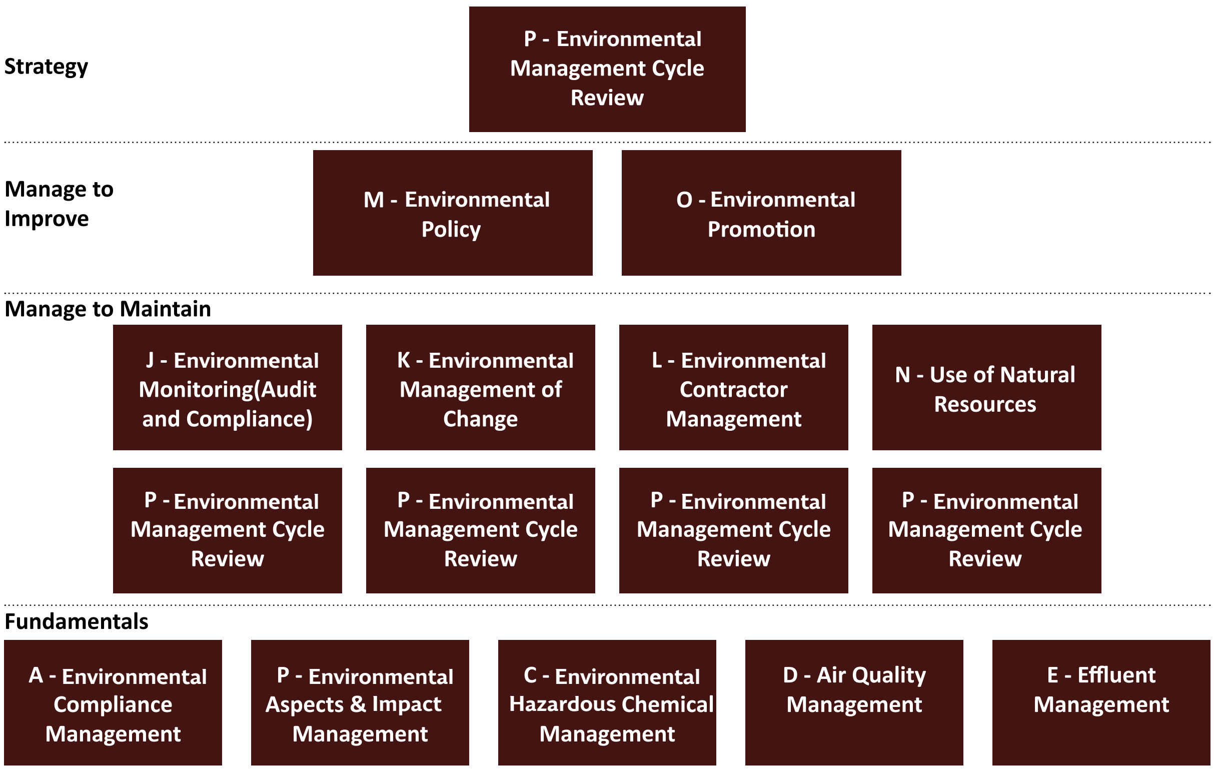
We have a Tollffree line to handle customer queries on the quality of any of our products.

Quality Pillar – Top KPI’s

- Voyager Plant Optimization (VPO) is the MEANS and our Key Performance Indicators (KPI’s) are the RESULTS.
- Quality KPI’s are integrated into the plant Management Control Reporting System (MCRS) structure for tracking and monitoring (T&M).
- The plant quality manager is the owner and is accountable for the quality KPI’s.
- All employees are responsible for the quality of our products and the quality KPI’s.

Environment

Overview of blocks of VPO E pillar



Certification

The Company ensures that it maintains independent product certification for its manufacturing operations from the Zambia Compulsory Standards Agency and international certification from Det Norske Veritas (DNV) Germanischer Lloyd (GL) or DNV DL for its management systems as follows:

- ZS 203 Soft Drinks Manufacturing
- ZS 430 Clear Beer Manufacturing
- ISO 9001 2015 Quality Management system
- ISO 14001 2015 Environmental Management system
- OHSAS 18001 2007 Occupational Health and Safety **Management system**
- ISO 22000 2005 Food Safety Management system
- FSSC 22000 Food Safety Management system
- KORE Coca Cola Quality Management system
- EOSH Coca Cola Environment, Occupational Safety and Health Management system

Procurement – Transparency and Ethical Trading

During the year, our Network of Centres of Capability (NoCC) became fully operational, centralising several aspects of our finance and procurement departments to ensure a separation of functions, efficiency, cost control, transparency and governance. Key updates in 2018 included a successful transition of the business accounts payable operations to the NoCC, further enabling a one-payment-run system and driving our centralization of both transactional and specialised activities.

This also includes a tender procedure which is conducted independently to ensure fairness to suppliers, and best value to the Company. Our procurement function is fully integrated to the needs of the business and aligned to our zero based budgeting policy.

Our thirdparty contractors undertake to abide by our contractual provisions on ethical trading, which cover the following:

- Anti-Bribery, Human Rights and Labour Standards.
- Sustainable Development Priorities.
- No discrimination (on grounds of race, religion, colour, sex, age, national origin, disability).
- Compliance with all applicable anti-corruption laws.
- Submission to compliance and risk assessments, including the investigating and closing of any non-compliance issues and any ethically-related on-site audits.

Source-to-Pay Operating Model

Leading practice and globally standardised procurement model

GPO Global Procurement Office	RPO Regional Procurement Office	RPSS Regional Procurement Shared Services
Switzerland – Zug	Africa – Johannesburg	Africa – Mauritius
• Global Category Management • Global Planning & Performance Management • Global Capabilities & Compliance • Global Risk Management • Smart Value Creation	• Regional Category Management • Regional Planning & Performance Management • Regional Capabilities • Procurement Business Partner	• Spot Buy desk • Drive E-auctions (Ariba) • PR/PO follow up • Supplier enablement • Contract admin & optimization • BuySell support • Master data management (MDM)

Communicating with our Stakeholders

In addition to the appointment of a dedicated Transfer Secretary for the timely disposal of shareholder enquiries, the Company hosted an investor call to review interim results on 16th October, 2018. We have also appointed a broker in accordance with the LuSE regulations, to ensure compliance and regular disclosure to the market.

Our stakeholders extend from investors to our customers and consumers, Government bodies and agencies, regulators, civil society, suppliers, employees and the communities in which we operate.

Our Corporate Affairs Department engages regularly with the Government, civil society organisations and representatives from communities in order to pursue our "Better World" strategy.

Meet the Board of Directors

Valentine Chitalu

is an entrepreneur in Zambia and Southern Africa specialising in private equity and local private sector development. Until December 2003, Valentine worked for CDC/Actis in London and Lusaka specialising 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 organisations. Valentine is a qualified accountant.

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. Dr Sokota was awarded an honorary Doctorate by the University of Zambia.

Pedro Cruz

joined the Board with over 20 years' experience and is currently Managing Director of the AB InBev Mozambique subsidiary, and was appointed Business Unit President Southern Africa for the combined AB Inbev/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.

Martyn Brunnock

was appointed to the Zambian Breweries Plc Board of Directors on 28th February, 2018. He began his career with SABMiller in 1999 and since then held several positions in the Finance function (Financial Controller, Finance Services Manager, Finance Manager Alrode Brewery, Finance Manager Supply, Finance Manager Business Support), eventually rising to take up the post of Finance Director – Business Unit South and Southern under AB InBev. He holds a B Com Hons/CTA from the University of Witwatersrand, is a South African Chartered Accountant, and holds an MBA in Management and Finance Accounting from the University of Witwatersrand. He resigned from the Board on 31st December, 2018.

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 AB InBev operations in Mozambique.

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 from her executive position as Finance Director as of 16th February 2018. She resigned from the Board on 31st March, 2019.

Mulwanda Sichula

was appointed to the Board on 1st November, 2018 as Executive Director, upon taking up the position of Country Head Finance. He has ten years' experience with the Company in the Finance and Commercial functions. He began his career in 2008 as an Accounts Assistant and has since held various roles in Financial Accounting, Management Accounting and Commercial. He is a member of both the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA).

Derrick Jansen van Vuuren

was appointed to the Board on 1st November, 2018. He is currently Finance Director Southern Africa Business Unit. He began his career in 2008 at KPMG in advisory and financial services. He initially took up a position with SABMiller in 2011 as Treasury Manager and progressed through various roles, namely Operations Finance Manager, Africa Zero-Based Budgeting Manager and Acting Finance Director (August 2018 – October 2018) for Zambian Breweries Plc. He holds a Certificate in the Theory of Accounting from the University of South Africa, a Bachelor of Commerce Accounting from the University of Potchefstroom and is a Chartered Accountant with the South African Institute of Chartered Accountants.

Meet the Management Committee

Country Director

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.

Technical Director

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

Acting Finance Director

Rebecca Handahu was a member of the Management Committee in her capacity as Acting Finance Director from February 2018. She began her career in 2002 at PricewaterhouseCoopers in assurance and business advisory services. She joined Zambian Breweries Plc in June 2016 as Finance Manager. Previously she held various positions in Accounting and Finance in the energy, consumer goods, telecommunications and property development sectors. She has also served on the boards of Madison Pension Fund Trustees and CIMA Zambia Branch. She holds a Master's degree in Business Administration from the University of Bradford (UK), a Bachelor of Arts in Accounting and Finance from Athlone Institute of Technology (Ireland) and is a Chartered Accountant with the Chartered Institute of Management Accountants (CIMA/CGMA UK). She is a member of the Zambia Institute of Chartered Accountants. She voluntarily separated from the Company in August 2018.

Country Lead People

Thecla Chilokota was appointed as Country Lead People on 1st March, 2017. She had 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 held a BSc inBiology and Chemistry from the University of Zambia and was a member of the Zambia institute of Human Resources Management. Our heartfelt condolences at Ms Thecla Chilokota's passing on 17th January, 2019. Her contribution to the Company and leadership will be sorely missed.

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 Master's Degree in Business Administration.

Head of Procurement

Siandele Matantilo was appointed to the Management Committee on 1st April, 2018. He is currently Head of Procurement at Zambian Breweries Plc. He began his career in 2009 as a Project Accountant at Konkola Copper Mines Plc, a subsidiary of Vedanta Resources Plc, and took on the position of Financial Controller Business Development and Investor Relations, before joining Zambian Breweries Plc as Assistant Financial Accountant in 2014. He was then promoted to the position of Regional Sourcing Specialist Raw Materials and Projects for the Southern Africa Region. He has over 9 years' experience in the Finance, Supply Chain and Procurement functions. Siandele is a Chartered Accountant and is a Fellow of ZICA and an Associate Member of the ACCA.

Country Manager Logistics

Anton Terblanche has over 25 years' experience in Sales and Operations. He joined SABMiller 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 Country Manager Logitstics. He holds a BEcon degree from the University of the Orange Free State in South Africa.

Country Lead Finance

Mulwanda Silwanda was appointed to the Board on 1st November, 2018 as Executive Director, upon taking up the position of Country Lead Finance. He has ten years' experience with the Company in the Finance and Commercial functions. He began his career in 2008 as an Accounts Assistant and has since held various roles in Financial Accounting, Management Accounting and Commercial. He is a member of both the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA).

Head of Marketing

Sibajene Munkombwe was appointed Country Head of Marketing in January 2018. He joined the business in 2012 and worked as Marketing Insights Manager and Business Planning Manager before his appointment to the Management Committee. He has a degree in Business Administration from the Copperbelt University, and qualifications in Planning and Monitoring from the University of Zambia, as well as in Foundations of Marketing and Marketing Research. His previous work engagements include working for the Zambia Development Agency as Senior Research Officer, Project Coordinator for a joint United Nations High Commissioner for Refugees and Lutheran World Federation Refugee Programme, Assistant VAT Inspector at the Zambia Revenue Authority and Trainee Project Economist for the NORSAD Agency (a joint NORDIC and SADC development finance institution).

Annual Report of the Directors of the Board

The Directors submit their annual report together with the audited annual financial statements for the year ended 31 December 2018, which disclose the state of affairs and performance of Zambian Breweries Plc (the "Company").

Principal activities

The principal activities of the Company are the manufacture and distribution of alcoholic and non-alcoholic beverages. On 14 December 2018, the Company completed the sale of its non-alcoholic business segment.

Share capital and beneficial ownership information

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

The Company shareholding and beneficial ownership is represented as follows:

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

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

Significant events during the year

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

On 14 December 2018, the Company entered into a second amendment agreement to close the sale transaction. Under this agreement, CCHAL assigned the Master Purchase Agreement to Strategic Alliance J.V., which became the purchaser of the non-alcoholic business segment, while ABI, TCCC and CCHAL remained parties to the contract. The transaction closed for a total consideration of K1,654 million.

Results and dividend

The profit for the year of K1,456 million (Nine-month period – December 2017: K220.8 million) has been added to retained earnings. On 27 December 2018, the Board approved a special dividend K3.68 per each ordinary share. At the board meeting held on 28 February 2019, the Directors did not declare a final dividend for the year ended 31 December 2018.

Directors and remuneration

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

Name	Position	Appointment	Resignation
Valentine Chitalu	Chairman		
George Sokota	Non- Executive Director		
Jose Daniel Moran Ramirez	Executive Director		
Pedro Cruz	Non- Executive Director		
Derrick Jansen van Vuuren	Executive Director	1 November 2018	
Mulwanda Sichula	Executive Director	1 November 2018	
Faith Mukutu	Non- Executive Director		29 March 2018
Martyn Brunnock	Non- Executive Director		31 December 2018

During the year, the total directors remuneration was K4.1 million, (Nine-month period ended – December 2017: K8.0 million), comprised of K3.6 million (Nine-month period ended – December 2017: K7.6 million) for services rendered by executive directors, and K0.5 million (Nine-month period ended – December 2017: K0.4 million) for services rendered by non-executive directors.

Interests register information

During the year, the Company officers (directors, company secretary or executive officerofficers of a companythe Company) did not makedeclare any declarations of interest in the CompanyCompany's transactions and business.

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

Average number of employees and remuneration

The total remuneration of employees during the year amounted to K194.2 million (Nine-month period – December 2017: K127.5 million) and the average number of employees was as follows:

Month	Average Number	Month	Average Number
January	1,154	July	1,164
February	1,152	August	1,156
March	1,134	September	1,156
April	1,148	October	1,159
May	1,151	November	1,180
June	1,160	December	1,187

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

Gifts and donations
During the year, the Company made donations of K459,921 (Nine-month period – December 2017: K105,079) to charitable organisations and events.

Research and development
The Company did not incur any costs on research and development during the year (Nine-month period – December 2017: Nil).

Exports
The Company did not export any goods or services during the year (Nine-month period – December 2017: Nil).

Property, plant and equipment
The Company purchased property, plant and equipment amounting to K295.3 million (Nine-month period – December 2017: K334.4 million) during the year. In the opinion of the Directors, the carrying value of property, plant and equipment is not less than their recoverable value.

Company auditor and remuneration
The Auditor, PricewaterhouseCoopers Zambia, has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

The Auditor remuneration for the year was K1,225.9 million (Nine-month period ended – December 2017: K1,278). This related to audit services rendered to the Company.

Signed on behalf of the Board of Directors:

Valentine Chitalu
Chairman of the Board

7th March 2019

Jose Daniel Moran Ramirez
Country Director

7th March 2019

Statement of Directors' Responsibilities on the Annual Financial Statements

For the year ended 31 December 2018

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

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 of 2017.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the Annual Financial Statements, and for such internal controls as the Directors determine necessary to enable the preparation of the Annual Financial Statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the Annual Financial Statements set out on pages 38 to 74 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards and the Zambia Companies Act of 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII's Sections 82 to 112 of the Zambia Companies Act of 2017.

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

Signed on their behalf by:

Valentine Chitalu
Chairman of the Board

7th March 2019

Jose Daniel Moran Ramirez
Country Director

7th March 2019

5 Independent Report of the Auditors and Annual Financial Statements

Independent auditor's report

To the Shareholders of Zambian Breweries Plc

Report on the audit of the Annual Financial Statements

Our opinion

In our opinion, Zambian Breweries Plc's (the "Company") annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act of 2017.

What we have audited

Zambian Breweries Plc's annual financial statements are set out on pages 38 to 74 and comprise:

- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of financial position as at 31 December 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the Company's annual 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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Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment The annual impairment assessment of goodwill requires the application of assumptions and judgements in order to estimate the recoverable amount of the Cash Generating Units (CGUs) to which the goodwill recognised is attributed. The recoverable amounts of the CGU has been determined based on a value in use calculation. Key assumptions used in the calculation include; • ● estimating the cashflows that will be generated in the future; • ● estimating the long term growth rate; and • ● determining the discount rate to be used. We determined this to be an area of focus for the audit on account of the significance of the judgments applied by the directors in determining the recoverable amount of this Cash Generating Unit ("CGU"). See note 18 on pages 68 to 69 of the Annual Financial Statements.	In assessing the reasonableness of the assumptions applied by the directors, we performed the following procedures: • agreed the cash flow forecasts to the most recently approved budgets; • tested the appropriateness of assumptions applied and accuracy of data used in preparing the cash flow forecasts and company budget; • agreed the projected future cash inflows and outflows arising for capital expenditure investments to the approved schedule of commitments; • tested the long term growth rate against historical growth rate of the business and expected growth rate of the Zambian economy; • assessed the determined discount rate to ensure it was representative of the current market assessments for the time value of money and risks specific to the CGU; • we evaluated the sensitivity of the Company's goodwill to fluctuations in the key assumptions applied to ascertain the extent to which the key inputs would have to change before goodwill would be considered impaired; and • we tested the mathematical accuracy of the goodwill assessment performed and agreed information used to the general ledger.

Other information

The Directors are responsible for the other information. The other information comprises the Company's Annual Report but does not include the annual financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act of 2017, and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's responsibilities for the audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

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

- there is a relationship, interest or debt which, we, as the Company's auditor, have in the Company;
- there are serious breaches by the Company's directors, of corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Zambia Companies Act of 2017; and
- there is an omission in the Annual Financial Statements as regards particulars of loans made to a Company Officer (a director, company secretary or executive officer of a company) during the year, and if reasonably possible, disclose such information in our opinion.

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

7th March, 2019

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

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2018	Nine-month period ended 31 December 2017
Revenue	6	2,200,228	1,561,138
Cost of sales		(1,199,154)	(877,354)
Gross profit		1,001,074	683,784
Other operating income / (expense)	8	1,086,908	(8,957)
Distribution costs		(141,764)	(129,328)
Administrative expenses		(336,178)	(179,482)
Operating profit		1,610,040	366,017
Finance income	11	43,691	20,733
Finance costs	11	(34,789)	(66,721)
Finance income / (costs) – net		8,902	(45,988)
Profit before income tax		1,618,942	320,029
Income tax expense	12	(162,806)	(99,209)
Profit for the year / period		1,456,136	220,820
Other comprehensive income		-	-
Total comprehensive income for the year / period		1,456,136	220,820
Attributable to:			
Continuing operations		339,688	194,769
Discontinued operations	7	1,116,448	26,051
		1,456,136	220,820
Earnings per share for profit attributable to the equity holders of the Company			
- Basic and diluted	13	2.667	0.404

The notes on pages 42 to 74 are an integral part of these financial statements.

Annual Financial Statements

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of financial position

	Notes	As at December 2018	As at 31 December 2017
Capital and reserves attributable to the Company's equity holders			
Share capital	14	5,460	5,460
Share premium	14	450,207	450,207
Proposed dividends	23	-	110,410
(Accumulated deficit) / Retained earnings		309,633	862,777
		765,300	1,428,854
Non-current liabilities			
Deferred income tax	16	625,629	507,254
		625,629	507,254
Total equity and non-current liabilities		1,390,929	1,936,108
Non-current assets			
Property, plant and equipment	17	1,698,173	1,482,767
Intangible assets	18	21,677	72,811
		1,719,850	1,555,578
Current assets			
Inventories	19	554,343	482,628
Trade and other receivables	20	260,070	193,691
Current income tax	12	-	5,909
Cash and cash equivalents	21	2,397,637	324,736
		3,212,050	1,006,964
Non-current assets held for sale	7	-	500,004
Current liabilities			
Trade and other payables	22	3,512,858	869,378
Borrowings	15	115	257,060
Current income tax	12	27,998	
		3,540,971	1,126,438
Net current (liabilities)		(328,921)	(119,474)
Total assets less current liabilities		1,390,929	1,936,108

The notes on pages 42 to 74 are an integral part of these financial statements. The financial statements on pages 38 to 74 were approved for issue by the Board of Directors on 7 March 2019 and signed on its behalf by:

Valentine Chitalu
Chairman of the Board

Jose Daniel Moran Ramirez
Country Director

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

Statement of changes in equity

	Note	Share capital	Share premium	Proposed dividends	Retained earnings	Total equity
Nine-month period ended 31 December 2017						
At start of period		5,460	450,207	-	752,367	1,208,034
Comprehensive income:						
Profit for the period		-	-	-	220,820	220,820
Total comprehensive income for the period		-	-		220,820	220,820
Transactions with owners:						
Proposed dividends	23	-	-	110,410	(110,410)	-
Total transactions with owners		-	-	110,410	(110,410)	-
At end of period		5,460	450,207	110,410	862,777	1,428,854
Year ended 31 December 2018						
At start of year		5,460	450,207	110,410	862,777	1,428,854
Profit for the year		-	-		1,456,136	1,456,136
Total comprehensive income for the year		-	-	-	1,456,136	1,456,136
Transactions with owners:						
Dividends paid	23	-	-	(110,410)	-	(110,410)
Special dividend	23				(2,009,280)	(2,009,280)
Total transactions with owners				(110,410)	(2,009,283)	(2,119,693)
At end of year		5,460	450,207	-	309,633	765,300

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

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Statement of cash flows

	Notes	Year ended 31 December 2018	Nine-month period ended 31 December 2017
Cash flows from operating activities			
Cash generated from operations	24	1,100,157	987,293
Interest received		15,271	12,116
Interest paid		(10,406)	(42,463)
Income tax paid		(10,524)	(4,629)
Net cash generated from operating activities		1,094,498	952,317
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(295,310)	(334,426)
Proceeds from sale of property, plant and equipment		1,654,030	506
Purchase of intangible assets		(5,143)	-
Net cash inflow / (outflow) from investing activities		1,353,577	(333,920)
Cash flows from financing activities			
Interest paid on borrowings		(547)	(31,863)
Proceeds from borrowings		-	314,344
Repayment of borrowings		(241,918)	(425,000)
Dividends paid to shareholders	23	(110,410)	-
Net cash outflow from financing activities		(352,875)	(142,519)
Net increase in cash and cash equivalents		2,095,200	475,878
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year / period		309,594	(169,907)
Increase in cash and cash equivalents	21	2,095,200	475,878
Exchange difference in cash and cash equivalents		(7,272)	3,623
Cash and cash equivalents at end of the year / period	21	2,397,522	309,594

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

1. General information

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

Plot Number 6438
Mungwi Road
Heavy Industrial Area
Lusaka

For the Zambia Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income, in these Annual 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 of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below.

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

Going concern

The financial statements have been prepared on a going concern basis. The Directors have no doubt that the Company will remain in existence after 12 months.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company
A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards.

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in the transition disclosures. Other new accounting standards effective for reporting periods beginning on or after 1 January 2018 did not have any impact on the Company's accounting policies and did not require retrospective adjustments to the financial statements.

(ii) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2018, and have not been applied in preparing these financial statements. Management is yet to assess the effect of the following standards on the financial statements of the Company. These include:

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

2. Summary of significant accounting policies (continued)

Title of standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.
Impact	The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments. The Company estimates that approximately 20-30% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.
Date of adoption	The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Title of standard	IFRIC 23 Uncertainty over income tax treatment (effective date - 1 Jan 2019)
Details	These amendments were issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The Company does not intend to adopt the amendments before its effective date and is yet to assess the full impact of the amendments on its Annual Financial Statements.

Title of standard	Conceptual framework for financial reporting - Revised (effective date - 1 Jan 2020)
Details	These amendments were issued in March 2018. Included in the revised conceptual framework are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The amendments focused on areas not yet covered and areas that had shortcomings.

Title of standard	Amendments to IAS 23 Borrowing costs (effective date - 1 Jan 2019)
Details	These amendments were issued in December 2017. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

2. Summary of significant accounting policies (continued)

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.

(b) Transition disclosures

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

i) IFRS 9 Financial instruments – Impact of adoption

The new financial instruments standard, IFRS 9 replaces the provisions of IAS 39. The new standard presents a new model for classification and measurement of financial assets and financial liabilities, a new impairment model which replaces the incurred credit loss approach with an expected credit loss approach, and new hedging requirements.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies which are set out in notes below. The Company performed an assessment to determine if the adjustments arising from the new impairment rules are material to warrant an adjustment to be recognised in the opening statement of changes in equity on 1 January 2018.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The Company determined that the adjustment resulting from the impact of adoption is not material and therefore, has not been adjusted through opening retained earnings for the current reporting period.

Classification and measurement

Financial assets

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management assessed the classification of its financial assets which is driven by the cash flow characteristics of the instrument and the business model in which the asset is held.

The Company's financial assets includes cash and cash equivalents and trade and other receivables. The Company's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest. For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and cash equivalents are domiciled.

Since there was no change in the measurement basis except for nomenclature change, opening retained earnings was not impacted (no differences between the previous carrying amount and the revised carrying amount of these assets at 1 January 2018).

Financial liabilities

The adoption of IFRS 9 eliminates the policy choice on the treatment of gain or loss from the refinancing of a borrowing. Day one gain or loss can no longer be deferred over the remaining life of the borrowing but must now be recognised at once. No retrospective adjustments have been made in relation to this change as at 1 January 2018.

On the date of initial application, 1 January 2018, the financial instruments of the Company were classified as follows:

	Classification & Measurement category		Carrying amount	
	Original IAS 39	New IFRS 9	Original	New
Current financial assets				
Trade receivables:	Loans and receivables	Amortised cost	118,166	118,166
Amounts due from related parties	Loans and receivables	Amortised cost	35,138	35,138
Other receivables	Loans and receivables	Amortised cost	20,187	20,187
Cash and cash equivalents	Loans and receivables	Amortised cost	324,736	324,736
Current financial liabilities				
Borrowings	Amortised cost	Amortised cost	257,060	257,060
Trade and other payables (excluding statutory liabilities)	Amortised cost	Amortised cost	788,499	788,499

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

2. Summary of significant accounting policies (continued)

The new carrying amounts in the table above have been determined based on the measurement criteria specified in IFRS 9. However, the impact of IFRS 9 expected credit loss impairment has not been considered here. See below for the impact of IFRS 9 ECL on the assets carried at amortised cost.

Impairment of financial assets

The Company has three types of financial assets that are subject to IFRS 9's new expected credit loss model. Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 for each of these classes of assets. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

The change in impairment methodology has not materially impacted the Company's retained earnings. Therefore, the opening retained earnings at 1 January 2018 has not been adjusted.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due criterion.

Trade receivables

Trade receivables represent amounts receivable from customers from the sale of alcoholic and non-alcoholic beverages.

The expected credit loss rate for this receivable is determined using a provision matrix. The provision matrix used is based on the Company's historical default rates observed over the expected life of the receivable and is adjusted for forward-looking estimates.

An expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2018 are as follows:

	Current	30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Gross carrying amount	125,470	30,624	4,347	684	16,376
Default rate	1.9%	0.5%	39.8%	41.0%	87.3%
Lifetime expected ECL	(2,384)	(153)	(1,730)	(281)	(13,322)
Total	123,086	30,471	2,617	403	3,054

Amounts due from related parties

There was no balance due from related parties at 31 December 2018.

Other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets that are classified within other receivables.

Other receivables mainly relate to staff receivables. Impairment allowances on receivable amounts were assessed to be insignificant. This was on the basis that there has been no history of default on these assets as repayments are deducted directly from the staff's monthly salary. In addition, the outstanding balance as at 31 December 2018 was deemed to be insignificant. The impairment loss was nil under the incurred loss model of IAS 39.

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

ii) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Company has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. The adoption did not result in adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules using the modified retrospective approach and has not restated comparatives for the 2017 financial year. There was no impact on the Company's opening retained earnings at the date of initial application, 1 January 2018.

(c) Segment reporting

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

- Country Director
- Finance Director
- Brewery Operations Director
- Marketing Director
- Corporate Affairs Director
- Human Resources Director

(d) 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).

(e) Financial instruments

i) Financial assets (Policy from 1 January 2018)
The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; de-recognition of financial instruments; impairment of financial asset. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

Classification and measurement

Financial assets
It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Company's financial assets as at 31 December 2018 satisfy the conditions for classification at amortised cost under IFRS 9.

The Company's financial assets include trade receivables, intercompany receivables, other receivables and cash and cash equivalents.

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

Impairment of financial assets
Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach to determine impairment of receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

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

ii) Financial assets (Policy prior to 1 January 2018)

Classification
The Company classifies its financial assets as loans and receivables. The Company does not hold any financial assets in any other financial instrument category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables comprise trade receivables, amount due from related parties, staff advances and cash and cash equivalents, and are included in current and non-current assets depending on their contractual settlement date. They are classified as current if they are to be settled within one year and non-current if they are to be settled after one year.

Recognition and measurement
Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate less any impairment.

iii) Financial liabilities
Classification
Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities at amortised cost
These include trade payables, marketing creditors, amount due to related parties and accrued expenses. Trade payables are classified as current liabilities due to their short term nature.

Recognition & measurement
Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests for control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2. Summary of significant accounting policies (continued)

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.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or 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 are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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 the profit or loss.

(f) Revenue recognition

i) Revenue recognition (Policy from 1 January 2018)

The Company has adopted IFRS 15 as issued in May 2014 which has resulted in changes in accounting policy of the Company. IFRS 15 replaces IAS 18 which covers revenue arising from the sale of goods and the rendering of services, IAS 11 which covers construction contracts, and related interpretations. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated as the Company has applied the modified retrospective approach in adopting this standard.

IFRS 15 introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

a) Revenue recognition

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

It is the Company's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

Revenue is recognised when control of goods has been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

ii) Revenue recognition (Policy prior to 1 January 2018)

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

2. Summary of significant accounting policies (continued)

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

Revenue is recognised as follows:

i) Sales of goods are recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

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

(g) Interest income

Interest income is recognised using the effective interest method.

(h) Trade receivables

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

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

(i) Cash and cash equivalents

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

(j) 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.

(k) Borrowings

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

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

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

(l) Borrowing costs

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

2. Summary of significant accounting policies (continued)

costs are recognised in profit or loss in the period in which they are incurred.

(m) Property plant and equipment

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

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

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

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

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

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

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

(n) Intangible assets

(i) Goodwill

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

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

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

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

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

- The typical product life cycle for the assets and published information about useful lives of similar assets that are used in a similar way - the treatment adopted by the Directors is in line with companies in the similar businesses in the same industry.
- The stability of the industry in which the asset operates and changes in market demand for the products or services from or related to the asset - Directors are of the view that the industry in which the entity operates is stable and hence the

2. Summary of significant accounting policies (continued)

assets are more likely to be of use indefinitely.

- Expected actions by actual or potential competitors - there are no actual or potential competitors that will affect the market share of the entity.

(ii) Computer software

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

(o) 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.

(p) Employee benefits

Retirement benefit obligations

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

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

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

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

(q) Income tax

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

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

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

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

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

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

(r) Share capital

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

(s) Comparatives

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

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

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

(t) Dividend distribution

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

(u) Non-current assets held for sale

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

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

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

(v) Impairment of non-financial assets

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

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

(w) Leases

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

(x) Earnings per share

Basic earnings per share is calculated by dividing:

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

3. Financial risk management

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

The Company's policy is 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 and hold cash balances in different currencies..

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.

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

3. Finacial Risk Management (continued)

	Exposure in			
	ZAR	**USD**	**Euro**	**Total**
31 December 2018	**K'000**	**K'000**	**K'000**	**K'000**
Financial assets/(liabilities)				
Cash and cash equivalents	15,709	1,630,810	2,772	1,649,291
Trade and other payable	(50,068)	(45,515)	(11,672)	(107,255)
Net monetary assets/ (liabilities)	**34,359**	**1,585,295**	**8,900**	**1,542,036**
31 December 2017				
Financial assets/(liabilities)				
Cash and cash equivalents	13,425	3,010	1,960	18,395
Trade and other payable	(80,523)	(73,016)	(12,352)	(165,891)
Net monetary assets/ (liabilities)	**(67,098)**	**(70,006)**	**(10,392)**	**(147,496)**

At 31 December 2018, if the currency had weakened/strengthened by 2% (2017: 3%) against the USD with all other variables held constant, the effect on post-tax profit for the year and shareholder equity would have been K31.7 million (Nine-month period - December 2017: K2.2 million) lower/higher, mainly as a result of USD trade payables and bank balances.

At 31 December 2018, if the currency had weakened/strengthened by 7.5% (2017: 11%) against the ZAR with all other variables held constant, post-tax profit for the year and shareholder equity would have been K2.6 million (Nine-month period - December 2017: K7.5 million) higher/ lower, mainly as a result of ZAR trade payables and bank balances.

At 31 December 2018, if the currency had weakened/strengthened by 3% (2017: 15%) against the EUR with all other variables held constant, the impact on post tax profit for the year and shareholder equity would have been immaterial (Nine-month period - December 2017: K2.0 million) higher/ lower, mainly as a result of EUR trade payables and bank balances.

(i) 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 2018, with other variables unchanged, a 3% (2017: 5%) decrease/increase in the base interest rate would have resulted in post-tax profit for the year and shareholder equity being K3.5 million (Nine-month period - December 2017: K12 million) higher/lower.

(ii) Price risk

The Company is not exposed to commodity price risk.

(b) Credit risk

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

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

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. The Company does not use external credit ratings for the purposes of assessing credit quality. The credit quality of financial assets that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes (continued)

3. Finacial Risk Management (continued)

	31 December 2018	31 December 2017
Trade receivables		
Current trade receivables	124,660	94,734
Other receivables (excluding prepayments)	97,604	20,187

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

	31 December 2018	31 December 2017
Current	124,660	94,734
Past due but not impaired:		
- by up to 30 days	30,624	17,777
- by more than 31 to 60 days	4,347	3,702
- Above 60 days	-	1,953
Total past due but not impaired	34,971	23,432
Impaired	17,870	18,323
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment loss	17,870	18,323
Provision for impairment loss	(17,870)	(18,323)
Net carrying amount	-	-

The maximum exposure to credit risk at the reporting date is the carrying value which approximates fair values.

(c) Liquidity risk

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

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

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

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

3. Financial risk management (continued)

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Total
At 31 December 2018:				
-borrowings	115	-		115
-trade and other payables (excluding statutory liabilities)	1,388,842	-		1,388,842
Total financial liabilities	1,388,957	-		1,388,957
At 31 December 2017:			-	
			-	
-borrowings	15,142	241,918	-	257,060
-trade and other payables (excluding statutory liabilities)	788,499	-	-	788,499
Total financial liabilities	803,641	241,918	-	1,045,559

(d) Capital management

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

During the period, the Company's strategy was to maintain a gearing ratio of less than 50%. The gearing ratio at 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018	31 December 2017
Total borrowings	115	257,060
Less: cash at bank and in hand	(2,397,522)	(324,736)
Net debt	(2,397,407)	(67,676)
Total equity	765,300	1,428,854
Total capital	(1,632,107)	1,361,178
Gearing ratio	0%	0%

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

4. Financial instruments by category

At 31 December 2018

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

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

At 31 December 2017

	Financial assets at amortised cost
Assets as per the statement of financial position	
Trade and other receivables (excluding pre-payments)	173,490
Cash at bank and in hand	324,736
	498,226

	Other financial liabilities at amortised cost
Liabilities as per the statement of financial position	
Borrowings	257,060
Trade and other payables (excluding statutory liabilities)	788,499
	1,045,559

5. Critical accounting estimates and judgments

Critical accounting estimates and assumptions

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

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

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

Income taxes
Significant judgment is required in determining the Company's income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Specifically, the Directors have applied judgment in determining an appropriate approach of applying ZDA tax incentives in computing current and deferred income taxes for the year.
The Company records provisions for potential liabilities based on estimates of whether it is probable that additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

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

6. Segment reporting

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

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

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

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

6. Segment reporting (continued)

	Year ended 31 December 2018			Nine months ended 31 December 2017		
	Alcoholic	Non -Alcoholic	Total	Alcoholic	Non-Alcoholic	Total
Revenue from external customers:						
Alcoholic beverages	1,787,264	-	1,787,264	1,189,026	-	1,189,026
Non-alcoholic beverages	-	412,964	412,964	-	372,112	372,112
Total revenue	1,787,264	412,964	2,200,228	1,189,026	372,112	1,561,138
Fixed and variable expenses	(1,313,661)	(346,874)	(1,660,535)	(860,052)	(326,204)	(1,186,256)
Profit on sale on non-alcoholic business	-	1,076,255	1,076,255	-	-	-
EBITA	473,603	1,142,345	1,615,948	328,974	45,908	374,882
Interest income	12,905	2,366	15,271	10,239	1,877	12,116
Interest expense	(9,298)	(1,628)	(10,926)	(56,778)	(9,943)	(66,721)
Amortisation	(877)	(474)	(1,351)	(161)	(87)	(248)
Income tax expense	(136,645)	(26,161)	(162,806)	(87,505)	(11,704)	(99,209)
Profit after income tax	(339,688)	1,116,448	1,456,136	194,769	26,051	220,820
Total assets	4,931,900	-	4,931,900	1,990,655	1,071,891	3,062,546
Total liabilities	4,166,600	-	4,166,600	1,061,900	571,792	1,633,692

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

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

The result of its revenue from external customers in Zambia is K2,200 million (Nine-month period - December 2017: K 1,561 million). There was no revenue from external customers from other countries (Nine-month period - December 2017: Nil).

As the Company primarily sells to distributors, wholesalers and large retail outlets, it had two customers during the year who contributed 10% or more of the Company's total revenue. This amounted to K760 million (Nine-month period - December 2017: K609 million) in total.

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

7. Discontinued operations

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

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

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

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes (continued)

7. Discontinued operations (continued)

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

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

	Year ended December 2018	Nine-month period ended 31 December 2017
Revenues	412,964	372,112
Other income	2,366	1,877
Expenses	(348,976)	(336,234)
Profit before income tax	66,354	37,755
Income tax expense	(26,161)	(11,704)
Profit after income tax of discounted operation	40,193	26,051
Profit from sale of non-alcoholic business segment	1,076,255	-
Profit from discontinued operation	1,116,448	26,051
Net cash inflow from operating activities	66,828	-
Net cash inflow from investing activities	1,654,030	-
Net increase in cash generated by the business segment	1,720,858	-

b) Details of the sale of the business segment

	Year ended December 2018	Nine-month period ended 31 December 2017
Consideration received	1,654,030	-
Property transfer tax	(82,702)	-
Carrying amount of net assets sold	(495,073)	-
Profit on sale of business segment	1,076,255	-

c) Assets disposal group classified as held for sale

	Year ended December 2018	Nine-month period ended 31 December 2017
Property, plant and equipment	-	500,004

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

8. Other operating income/ (expense)

The non-current assets held for sale are measured at the carrying value which is the lower of the carrying amount and fair value less costs to sell.

	Year ended December 2018	Nine-month period ended 31 December 2017
Other income	14,276	669
Net foreign exchange losses other than on borrowings and cash and cash equivalents	(3,623)	(9,937)
Profit on disposal property, plant and equipment	-	311
Profit on disposal of assets of non-alcoholic business segment (Note 7)	1,076,255	-
	1,086,908	(8,957)

9. Expenses by nature

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

	Year ended 31 December 2018	Nine-m0nth period ended 31 December 2017
Raw materials and consumables used	868,252	562,442
Employee benefits expense (Note 10)	194,223	127,548
Depreciation on property, plant and equipment (Note 17)	171,849	170,273
Amortisation (Note 18)	1,351	248
Auditor’s remuneration	1,226	1,278
Provision for impairment losses on trade receivables (Note 20)	(453)	3,755
Transportation expenses	89,510	67,742
Maintenance	61,391	40,115
Marketing	48,073	35,536
Management fees	47,053	32,723
Service contracts	-	2,457
Royalties	101,506	59,499
Other expenses	93,115	82,548
Total cost of sales, distribution and administrative costs	1,677,096	1,186,164

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

10. Employee benefits expense

The following are included within the employee benefits expense:

	Year ended 31 December 2018	Nine-month period ended 31 December 2017
Salaries and wages	165,132	113,087
Voluntary separation costs	10,019	9,929
Defined contribution schemes – NAPSA and Saturnia	19,072	4,532
	194,223	127,548

11. Finance income and costs

	Year ended 31 December 2018	Nine-month period ended 31 December 2017
Finance income:		
Interest income	15,271	12,116
Net foreign exchange gains on cash and cash equivalents	28,420	8,617
	43,691	20,733
Finance costs:		
Interest expense:		
- Intercompany interest paid (Note 25)	(520)	(3,424)
- Overdrafts	(10,406)	(42,539)
- FNB Loan	-	(4,032)
- Revolving credit facility	-	(16,726)
	(10,926)	(66,721)
Net foreign exchange losses on cash and cash equivalents	(23,863)	-
	(34,789)	(66,721)
Finance costs – net	8,902	(45,988)

12. Income tax

Current income tax		44,431	4,241
Deferred income tax charge	(Note 16)	118,375	94,968
Income tax expense		162,806	99,209

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:

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes (continued)

12. Income tax (continued)

	Year ended 31 December 2018	Nine-month period ended 31 December 2017
Profit before income tax	1,618,942	320,029
Tax calculated at the statutory income tax rate of 35% (December 2017: 35%)	566,630	112,010
Tax effects of:		
Income subject to a lower tax rate	(16,436)	(102,031)
Expenses not deductible for tax purposes	35,914	3,673
Provision held against ZDA incentive benefit	21,319	85,557
Effect of sale of non-alcoholic business segment	(444,621)	
	162,806	99,209

Current income tax movement in the statement of financial position

	Year ended 31 December 2018	Nine-month period ended 31 December 2017
At start of the year / period	(5,909)	(5,521)
Charge for the year / period	44,431	4,241
Paid during the year / period	(10,524)	(4,629)
At end of the year / period – liability /(asset)	27,998	(5,909)

Tax losses

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

Year	Tax loss	Utilised during the year	Losses expired during the year	Cumulative	Year of expiry
31-Mar-13	11,950	-	-	11,950	2018
31-Mar-14	48,092	-	-	60,042	2019
31-Mar-15	119,995	-	-	180,037	2020
31-Mar-16	122,790	-	-	302,827	2021
31-Mar-17	32,032	-	-	334,859	2022
31-Dec-17	-	(111,012)	-	223,847	2023
31-Dec-18	-	(223,847)	-	-	-

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

13. Earnings per share

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

	Year ended 31 December 2018	Nine-month period ended 31 December 2017
Profit attributable to equity holders of the Company (K'000)	1,456,136	220,820
Weighted average number of ordinary shares in issue (millions)	546	546
Basic earnings per share (in Kwacha)	2.667	0.404

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

14. Share capital

	Number of shares (millions)	Ordinary shares	Share premium
Balance as at 31 December 2017 and 31 December 2018	546	5,460	450,207

The authorised share capital of the Company remained unchanged at 600,000,000 ordinary shares of K0.01 each (December 2017: K0.01), of which 546,000,000 are issued and fully paid.

15. Borrowings

	31 December 2018	31 December 2017
Current:		
Bank overdrafts	115	15,142
Intercompany lending (Note 25)	-	141,918
Revolving credit facility – principal	-	100,000
Total borrowings	115	257,060
Net debt reconciliation (financial liabilities)		
At start of period	241,918	355,283
Additions during the period	-	314,344
Interest charged	-	19,501
Payments	(241,918)	(425,000)
Exchange difference on borrowings	-	(22,210)
At end of period	-	241,918

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

15. Borrowings (continued)

The overdraft facility are held with four different banks namely, Stanbic Bank Zambia Ltd, Citi Bank Zambia Ltd, Zanaco Bank Plc and Standard Chartered Bank Z Ltd. The combined facility is K319 million.

The bank overdraft facilities from various banks are all unsecured. Interest on the bank overdrafts are payable at the prevailing Bank of Zambia (BoZ) Monetary Policy Rate plus a liquidity premium and a margin ranging from 1.00% to 6.5%. The bank overdrafts expiring within a year are annual facilities subject to renewal at various dates during 2018. The interest rate during the period was 15.75% (Nine-month period ended December 2017: 19.88%). Due to the short term nature of the borrowings, the contractual rate approximates the effective interest rate.

The intercompany loan is payable to Heinrich's Syndicate Limited and is unsecured. During the period ended 31 December 2017, interest on the facility was payable at 17.25% per annum and was repayable on demand. During the year, no interest was charged (Nine-month period ended – December 2017: K1.2 million) during the year. The fair value of the balance approximates to its carrying value. Due to the short term nature of the borrowings, the contractual rate approximates the effective interest rate.

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

16. Deferred income tax

	31 December 2018	31 December 2017
At start of the year / period	507,254	412,286
Charge for the year / period	118,375	94,968
At end of period	625,629	507,254

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

	31 December 2018	31 December 2017
Deferred income tax assets to be recovered after 12 months	-	(56,490)
Deferred income tax assets to be recovered within 12 months	(10,505)	(11,840)
	(10,505)	(68,330)

Deferred income tax liabilities:

	31 December 2018	31 December 2017
Deferred income tax liabilities to be recovered after more than 12 months	605,358	544,808
Deferred income tax liabilities to be recovered within 12 months	30,776	30,776
	636,134	575,584
	625,629	507,254

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

16. Deferred income tax (continued)

Net deferred income tax liabilities:

	31 December 2018	31 December 2017
Net deferred tax liabilities to be recovered after more than 12 months	605,358	488,318
Net deferred tax liabilities to be recovered within 12 months	20,271	18,936
	625,629	507,254

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

Year ended 31 December 2018 Deferred income tax liabilities	At start of the year	Charged/ (credited) to P/L	At end of the year
Property, plant and equipment	357,287	39,231	396,518
	357,287	39,231	396,518
Deferred income tax assets			
Other deductible temporary differences	(11,840)	1,335	(10,505)
Tax losses carried forward	(56,490)	56,490	-
	(68,330)	57,825	(10,505)
Net deferred income tax liability	288,957	97,056	386,013
Provision held against ZDA incentive benefit	218,297	21,319	239,616
Deferred income tax liability recognised	507,254	118,375	625,629

Period ended 31 December 2017

	At start of the year	Charged/ (credited) to P/L	At end of the year
Deferred income tax liabilities			
Property, plant and equipment	403,509	(46,222)	357,287
	403,509	(46,222)	357,287
Deferred income tax assets			
Other deductible temporary differences	(6,762)	(5,078)	(11,840)
Tax losses carried forward	(117,201)	60,711	(56,490)
Hedges	(123,963)	55,633	(68,330)
Net deferred income tax liability	279,546	9,411	288,957
Provision held against ZDA incentive benefit	132,740	85,557	218,297
Deferred income tax liability recognised	412,286	94,968	507,254

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

17. Property, plant and equipment

	Buildings	Motor Vehicles	Plant & Containers	Capital work in progress	Total
At 1 April 2017					
Cost	305,258	111,499	1,784,485	405,235	2,606,477
Accumulated depreciation	(35,269)	(84,020)	(669,838)	-	(789,127)
Net book amount	269,989	27,479	1,114,647	405,235	1,817,350
Period ended 31 December 2017					
Opening net book amount	269,989	27,479	1,114,647	405,235	1,817,350
Additions	-	-	98,658	235,768	334,426
Disposals	-	(179)	(16)	-	(195)
CWIP transfers	152,604	964	183,234	(336,802)	-
Intercompany Transfers	-	417	1,046	-	1,463
Depreciation charge	(6,161)	(7,408)	(156,704)	-	(170,273)
Closing net book amount	416,432	21,273	1,240,865	304,201	1,982,771
At 31 December 2017					
Cost	457,862	112,701	2,067,407	304,201	2,942,171
Accumulated depreciation	(41,430)	(91,428)	(826,542)	-	(959,400)
Closing net book amount	416,432	21,273	1,240,865	304,201	*1,982,771
Year ended 31 December 2018					
Opening net book amount	416,432	21,273	1,240,865	304,201	1,982,771
Additions	-	-	95,237	200,073	295,310
Disposals	(190,871)	(491)	(219,874)	-	(411,236)
CWIP transfers	70,761	16,317	155,779	(242,857)	-
Depreciation charge	(12,372)	(9,301)	(150,176)	-	(171,849)
Adjustments	1	(5,030)	10,052	(1,846)	3,177
Closing net book amount	283,951	22,768	1,131,883	259,571	1,698,173
At 31 December 2018					
Cost	305,848	89,846	1,895,109	259,571	2,550,374
Accumulated depreciation	(21,897)	(67,078)	(763,226)	-	(852,201)
Closing net book amount	283,951	22,768	1,131,883	259,571	1,698,173

*Included in the net book value (NBV) as at 31 December 2017 is assets with an NBV of K500 million separately presented as non-current assets held for sale on the statement of financial position (note 19).

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes (continued)

17. Property and Plant Equipment (continued)

	31 December 2017
Attributable to:	
Continuing operations	1,482,767
Discontinued operations	500,004
	1,982,771

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

Major component under the Capital Work in Progress relates to the Ndola Plant that is currently under extension.

18. Intangible assets

	Goodwill	Software Licences	Total
At 1 April 2017			
Cost	71,987	10,846	82,833
Accumulated amortization	-	(9,774)	(9,774)
Net book amount	71,987	1,072	73,059
Period ended 31 December 2017			
At start of period	71,987	1,072	73,059
Amortisation charge	-	(248)	(248)
At end of year	71,987	824	72,811
At 31 December 2017			
Cost	71,987	10,846	82,833
Accumulated amortization	-	(10,022)	(10,022)
Net book amount	71,987	824	72,811
Year ended 31 December 2018			
At start of year	71,987	824	72,811
Additions	-	5,143	5,143
Disposals	(54,926)	-	(54,926)
Amortisation charge	-	(1,351)	(1,351)
At end of period	17,061	4,616	21,677
At 31 December 2018			
Cost	17,061	15,989	33,050
Accumulated amortisation	-	(11,373)	(11,373)
Net book amount	17,061	4,616	21,677

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

17. Property and Plant Equipment (continued)

(i) Goodwill

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

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

	31 December 2018	31 December 2017
Alcoholic beverages	17,061	17,061
Non-alcoholic beverages	-	54,926
	17,061	71,987

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

Alcoholic business segment

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

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

	31 December 2018	31 December 2017
Growth rate	13.4%	7.00%
Discount rate	21.1%	16.50%

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

The recoverable amount exceeded the carrying value in the current period, hence no impairment losses were recognised in 2018 (December 2017: Nil).

(ii) Computer software

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

19. Inventories

	31 December 2018	31 December 2017
Raw materials	200,488	139,305
Work in progress	40,141	104,698
Finished goods	9,699	72,509
General stores and consumables	304,015	166,116
	554,343	482,628

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to K868 million (Nine-month period ended - December 2017: K562 million). At 31 December 2018, the provision made for obsolete inventory amounted to K28 million (2017: K33 million).

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

20. Trade and other receivables

	31 December 2018	31 December 2017
Trade receivables	177,501	136,489
Less: Provision for impairment losses	(17,870)	(18,323)
	159,631	118,166
Amount due from related parties (Note 25)	-	35,138
Prepayments	2,835	20,200
Other receivables	97,604	20,187
	260,070	193,691

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

At start of year / period	18,323	14,568
Provision (reversed)/made in the year	(453)	5,233
Receivables written off during the year as uncollectible	-	(1,478)
At end of year / period	17,870	18,323

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

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

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

21. Cash and cash equivalents

	31 December 2018	31 December 2017
Cash at bank	2,397,396	324,491
Cash in hand	241	245
	2,397,637	324,736

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

	31 December 2018	31 December 2017
Cash at bank and in hand	2,397,637	324,736
Bank overdrafts (Note 15)	(115)	(15,142)
	2,397,522	309,594

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

22. Trade and other Payables

	31 December 2018	31 December 2017
Trade payables	427,904	211,022
Amounts due to related companies (Note 25)	761,695	357,570
Accrued expenses	75,236	89,945
Dividends payable	2,010,133	459
Other payables	237,890	210,382
	3,512,858	869,378

23. Dividends per share

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

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

At the next Annual General Meeting to be held on 28 March 2019, the Directors do not intend to propose any payment of dividends in respect of the year ended 31 December 2018.

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

24. Cash generated from operations

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

	31 December 2018	31 December 2017
Profit before income tax	1,618,942	320,029
Adjustments for:		
Interest income (Note 11)	(15,271)	(12,116)
Interest expense (Note 11)	10,926	66,721
Depreciation (Note 17)	171,849	170,273
Amortisation of intangible asset (Note 18)	1,351	248
Profit on sale of property, plant and equipment (Note 7)	(1,076,255)	(311)
Foreign exchange differences	934	(1,623)
Non-current receivables		
Changes in working capital:	(71,715)	(137,060)
-Inventories	(66,379)	149,271
-Trade and other receivables	525,775	431,861
-rade and other payables		
Cash generated from operations	1,100,157	987,293

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

25. Related party transactions

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

	31 December 2018	31 December 2017
No sales were made to related parties (December 2017: Nil)		
i) Purchase of goods and services		
AB InBev Africa Holdings Limited	23,926	-
Cervejas de Mocambique	-	9
South African Breweries (Pty) Limited	203,863	118,380
Sabmark International- a division of SABMiller International BV (Royalties)	101,506	59,499
SABMiller Management BV (Management fees)	47,053	32,723
Kgalagadi Breweries Plc	411	-
Coca Cola Canners	-	10,476
Mubex	573,954	360,649
	950,713	581,736
ii) Interest expense		
Mubex	520	1,584
National Breweries Plc	-	583
Heinrich's Syndicate Limited	-	1,257
	520	3,424
iii) Interest income		
Due from fellow subsidiaries:		
National Breweries Plc	-	8,139
Heinrich's Syndicate Ltd	-	3,977
	-	12,116

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

Notes (continued)

25. Related party transactions (continued)

iv) Directors' remuneration and key management compensation

	31 December 2018	31 December 2017
Directors remuneration:		
Non-executive Directors fees	520	415
Salaries and short term emoluments	2,606	4,659
Other emoluments	791	2,025
Retirement benefit cost	200	927
	4,117	8,026
Other key management compensation:		
Salaries and short term emoluments	11,664	2,386
Other emoluments	2,839	1,147
Retirement benefits cost	514	106
	15,017	3,639

v) Outstanding balances relating to borrowings

Amounts to due to related parties:

Due to fellow subsidiaries:

Heinrich's Syndicate Limited	-	141,918

The terms of the loan are disclosed in Note 15.

vi) Outstanding balances arising from sale of goods/services

Due from fellow subsidiaries:

National Breweries Plc	-	35,138

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sale. The receivable from National Breweries Plc mainly arises from the payment of services on behalf of the fellow subsidiary as part of the group's cash management system. The receivables are unsecured and bear no interest. No provisions are held against receivables from related parties (December 2017: Nil).

For the year ended 31 December 2018 (All amounts are stated in thousands of Kwacha unless otherwise stated)

25. Related party transactions (continued)

vii) Outstanding balances from purchase of goods/services

	31 December 2018	31 December 2017
Due to fellow subsidiaries:		
AB InBev Africa Holdings Limited	253	238
South African Breweries (Pty) Ltd	112,572	47,219
Sabmark International- a division of SABMiller International BV (Royalties)	123,325	38,737
Bevman Services AG (Management fees)	65,325	13,103
Cervejas De Moçambique	-	389
Tanzania Breweries Ltd	493	2,336
Kgalagadi Breweries Plc	-	559
Mubex	209,904	208,185
Heinrich Syndicate Limited	249,823	46,804
	761,695	357,570

26. Contingent liabilities

Zambian Breweries Plc had several pending legal proceedings at 31 December 2018. The Directors having obtained appropriate legal advice, and are of the opinion that there will be no material losses arising from the pending legal proceedings. The value of potential claims against the Company is K41 million (2017: K 54 million).

27. Commitments

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

(i) Capital commitments

	31 December 2018	31 December 2017
Property, plant and equipment	90,590	70,039

(ii) Operating commitments

Raw material commitments	224,117	113,368

28. Subsequent events

There were no subsequent events after the period ended 31 December 2018.

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2018 is as follows:

	Name of shareholder	%	Number of shares
1.	AB InBev Africa BV	87.13	475,732,350
2.	Standard Chartered Zambia Securities Services	8.91	48,623,394
3.	Saturnia Regna Pension Trust Fund	1.47	8,043,234
4.	Stanbic Bank Zambia Nominees	0.45	2,481,496
5.	KCM Pension Trust Scheme	0.37	2,000,563
6.	Barclays Bank Staff Pension Trust Fund	0.21	1,143,252
7.	Standard Chartered Bank Pension Trust Fund	0.11	605,988
8.	Stanbic Bank Pension Trust Fund	0.09	501,093
9.	Sandvic Minning Pension Scheme	0.07	398,798
10.	Zanaco Plc DC Pension Scheme	0.07	397,370
	Total selected	98.89	539,927,538
	Not selected	1.11	6,072,462
	Issued shares	100.00	546,000,000

Distribution of shareholders

	Number of Shareholders	%	Number of Shares
< 500	382	30.03	122,584
501-5,000	712	55.97	1,143,263
5,001- 10,000	77	6.05	550,543
10,001- 100,000	72	5.66	2,041,495
100,000- 1,000,000	19	1.49	6,881,004
>1,000,001	10	0.79	535,261,111
	1,272	100.00	546,000,000

Directorate and Corporate Information

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Jose Danial Moran*****
Pedro Cruz****
Derrick Jansen van Vuuren**
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