Zambian Breweries plc

Annual Report 2010

Investing ahead of demand

A subsidiary of SABMiller plc


FIFA
WORLD CUP
TROPHY
TOUR
by Coca-Cola
FIFA
WORLD CUP
TROPHY
TOUR
by Coca-Cola
LUSAKA, ZAMBIA
November 7-8, 2009
FIFA
WORLD CUP
TROPHY
TOUR
by Coca-Cola

Contents

Locally grown Barley.

New beer packaging line in Lusaka.

K' million	2006	2007	2008	2009	**2010**
Group turnover (Incl. excise duty)	479,847	516,371	629,742	673,086	**837,256**
Group revenue (Excl. excise duty)	352,916	373,900	450,516	486,651	**615,558**
Operating profit	75,096	69,526	98,208	93,314	**53,036**
Profit before taxation	69,042	63,713	89,298	73,476	**3,820**
Profit/(loss) after taxation	40,690	44,259	56,228	44,092	**(720)**
Total assets	354,983	381,401	427,311	706,455	**981,159**
Current liabilities	166,463	151,153	157,641	423,625	**463,682**
Shareholder's funds	174,327	190,103	208,603	210,558	**191,725**

Chairman's Statement

> "As the world economy recovers from the recession and commodity prices regain their buoyancy **I believe that growth will once again become a reality in Zambia.**"

Dear Shareholders,

I take great pleasure in presenting my report for the financial year ended March 2010. This report has been prepared against the backdrop of a year in which we saw the full effects of the worst global recession seen for decades. There is no doubt that the effects of this recession have been felt strongly in Zambia with poor copper prices and a weakened local currency impacting heavily on the disposable income of customers and consumers.

Trading conditions remained challenging throughout the year and, despite some relief occasioned by the lowering of excise duty applicable to clear beer, operating costs have risen dramatically. These factors have impacted negatively on group performance and profitability.

MARKET OVERVIEW

The volatility occasioned by the aftermath of the global economic crisis affected the Group's financial performance significantly during the year under review. The weakness of the Kwacha against the South African Rand, The United States Dollar and the Euro resulted in steep increases in input and operating costs. This was offset to an extent by the reduction in excise duty applicable to clear beer granted in February 2009.

This very welcome intervention by Government assisted the group in maintaining pricing for beer and resulted in significant positive growth in beer volume when compared to the previous year. Soft drink sales remained sluggish and despite investment in production capacity volume growth was almost flat when compared to the previous year.

GOVERNMENT ENGAGEMENT

We are indeed most grateful to the Government of the Republic of Zambia for engaging with us and heeding our call to further reduce excise duty on clear beer in order to bring us to parity with neighbouring countries. The reduction which was effected at the end of March 2010, though having no impact on the year under review, will greatly enhance the Group's ability to compete more

Agriculture and Co-operatives Minister Hon. Dr. Brian Chituwo flagging off the first harvest of locally grown barley in Lusaka, September 2009.

effectively against product produced in neighbouring countries. We are confident that this will result in further growth in domestic beer production and consumption in the years ahead.

SUSTAINABLE DEVELOPMENT

As part of our ongoing efforts to contribute meaningfully to the growth and development of the Zambian economy the group conducted a commercial scale barley growing trial during the course of the year. This trial, which involved four commercial farmers in two districts growing 200 hectares of barley, was extremely successful and is being extended significantly in the new financial year to 1600 hectares in three districts. The aim is to become fully self reliant as far as barley supplies go in the immediate future and to perhaps look at export opportunities in the years ahead.

Apart from the development of agriculture and growth of other suppliers in the value chain, the group remains actively involved in the management of HIV/AIDS amongst its employees and their families, and also the community at large.

Progress is also being made with the establishment of a recycling programme to deal with non-bio-degradable packaging materials. Zambian Breweries in collaboration with the Environmental Council of Zambia (ECZ) and various other stakeholders is establishing a Producer Responsibility Organisation to begin dealing with the scourge of, particularly, plastics waste in the environment. At a later stage the programme will be extended to include glass and steel waste.

CORPORATE GOVERNANCE

The Group continues, through the Board, to place great emphasis on the maintenance of sound corporate governance structures and continues to insist on compliance with a strict set of governance codes by all employees as well as all suppliers of goods and services to the group.

THE FUTURE

It is my belief, that the group is well positioned to take advantage of the prospects for growth that appear imminent. Capacity and capability constraints in manufacturing and distribution have now been largely overcome and the economic and financial environments can now be considered conducive to growth.

As the world economy recovers from the recession and commodity prices regain their buoyancy I believe that growth will once again become a reality in Zambia. We look forward to an exciting and rewarding year ahead.

Valentine Chitalu

Chairman

Managing Director's Report

"…there is now **sufficient installed capacity** to meet demand for both beer and soft drinks."

Shareholders will recall that in my last report I highlighted that the financial year ended March 2009 had two distinct halves in which the second half registered a significant weakening as the effects of the global economic crisis began to be felt in Zambia.

The year under review, therefore, started on the back of a weaker economic front characterised by high input costs and a relatively weak local currency and high interest rates, which contributed to a difficult operating environment for the group.

However the group continued with its investment programme to increase capacity and upgrade its production facilities in Ndola and Lusaka. This investment has placed the group in a strong competitive position; there is now sufficient installed capacity to meet demand for both beer and soft drinks for the foreseeable future.

FINANCIAL PERFORMANCE

The Zambian economy has remained somewhat sluggish throughout the year due to the points alluded to above. Relatively low copper prices prevailed for most part of the year and mining activity has yet to regain the levels achieved in prior years. The relative weakness of the Kwacha against major currencies over the period saw the cost of imported raw materials, such as barley malt, soft drink concentrates and machine spares rising dramatically. Inflation remained in double digit territory putting further pressure on local operating costs.

The economic environment also made it difficult for the group to make price increases in line with rising input and operating costs. The growth in beer volume did not therefore translate into improved financial performance as margins were squeezed.

In addition to the above, financing costs increased substantially from K19 Billion (2009) to close the year at K49 Billion largely driven by the continuing capital investment programme as well as working capital requirements. For most of the period, the group depended solely on short term borrowing facilities which were accessed at a high cost. The group has since secured long term borrowing facilities at a favourable rate of interest. All short term borrowings have since been converted to this facility. The impact of this change will come through in the year to March 2011.

Increased container injection during the year was necessary to avert product shortages, but gave rise to a significantly higher amortisation charge which in part contributed to reduced profitability. Despite turnover registering an increase of K164 Billion on prior year, attributable profit reduced from K44 Billion (2009) to a loss of K0.7 Million (2010) for the reasons mentioned above.

Trade Receivables increased by K6.5 Billion as a direct consequence of increased beer volumes. Inventory increased by K29 Billion over prior year mainly on account of increased cost of raw and packaging materials and the need to maintain adequate stock cover for imported items and finished goods at the depots.

The group paid over K220 Billion in excise duty to the Zambia Revenue Authority during the year. This was an increase of 19% on the previous year further underlining our position as one of the largest tax contributors to the Zambian fiscus.

In light of the financial performance of the company the Board of Directors does not recommend the declaration of a dividend.

REVIEW - BEER

Total beer volume grew by 16% on prior year indicating the group's strong market position. This growth was largely driven by Castle and Mosi brands which continue to dominate the mainstream beer market. The excise reduction made in early 2009 has made locally produced beer a lot more price competitive which helped volume growth. In the local premium segment, Mosi Gold has registered significant growth since it was launched.

We commend the Government of the Republic of Zambia for heeding our call to reduce excise duty to improve regional parity. The latest reduction was effected on 26th March 2010. This reduction has resulted in more affordable prices for the consumer and will enhance tax collection for the fiscus. It will also reduce the smuggling of beer from neighbouring countries as the historical excise differentials have now been eliminated.

REVIEW - SPARKLING SOFT DRINKS

Soft drinks sales were flat on prior year reflecting the discretionary nature of expenditure for this type of product as most consumers struggled to make ends meet. The closure of a number of mining companies in the northern region of the country resulted in reduced disposable incomes and this saw a reduction in sales volume, for this part of the country, whilst the southern region registered modest growth on prior year. The group managed to hold its share in this segment. In order to create sales momentum for Soft drinks the group implemented a number of initiatives which included the provision of additional credit facilities to selected Distributors, the injection of new glass bottles and placement of beverage coolers.

Soft drinks attract excise duty in Zambia and this places our group at a price disadvantage when compared with our neighbours. Large consignments of Coca Cola products brought in from neighbouring counties are freely available at Comesa Market in Lusaka and Chisokone Market in Kitwe. These pose unfair competition and the marketers are unlikely to be regular tax payers. We are confident that the authorities will address this in future.

In line with our ongoing policy of keeping our customers and consumers excited, the group will be launching a quality still mineral water during 2010.

SUSTAINABLE DEVELOPMENT

While short term performance is clearly critical, building a sustainable business for the future is also a vital imperative. Our sustainability agenda is currently centred on 4 key areas that is; enterprise development, water and carbon footprint, HIV / AIDS and alcohol responsibility.

Enterprise Development: As mentioned in the Chairman's report, the group has embarked on an ambitious programme to develop a local barley industry to supply Zambia with its barley malt requirements in the future. The trial conducted in 2009 was extremely successful and the decision was taken to expand this trial to full commercial production of approximately 10 000 tons in 2010. This would make Zambia entirely self reliant and will contribute significantly to the growth and diversity of the Zambian agricultural sector.

Water and Energy: A great deal of focused attention has been paid to understanding our water, energy and carbon footprints during the year under review. While improvements in performance in these areas have been modest, progress has been made and the insights gained from the preliminary work will doubtless result in further improvements going forward. Our long term aim is to produce more beverages using less water and energy.

HIV/AIDS: The Group is justifiably proud of its workplace HIV/AIDS programme which continues to encourage and provide voluntary counselling and testing (VCT) to members of staff and HIV positive spouses and children.

Our efforts in this area were recognised during the inaugural Zambia Federation of Employers (ZFE) awards ceremony where the group dominated with four prizes among them first prize in the HIV/AIDS workplace policies.

Recognising the importance of our value chain and our successes in the workplace programme, we extended our support to 40 sorghum farmers from Chikhwasaala Co-operative in Monze. The participants were exposed to information on HIV/AIDS and Business, Business Management, HIV/AIDS & Farming and Peer Education. This will be extended to other value chain partners in future.

Alcohol Responsibility: With the support of various partners, a proactive and vigorous Alcohol Responsibility agenda was pursued by the Group with a clear focus on drunk driving, binge drinking and under-age drinking.

Our beer adds to the enjoyment of life for the overwhelming majority of consumers and beer may provide physical health benefits for some people when consumed in moderation. On the other hand, alcohol is associated with certain health and social problems when abused.

A key area of this programme was the introduction of the SABMiller Alcohol Framework which articulates our beliefs regarding alcohol in relation to society. This framework requires all SABMiller subsidiaries to have an Internal Compliance Committee to ensure compliance to self imposed standards applicable to the marketing of alcohol products.

CAPITAL INVESTMENT PROGRAMME

The group's capital investment for the year was K 310 Billion. Projects included a major upgrade to the beer filtration system, completion of the new fermentation cellars, a new 25 000 bottle per hour beer packaging line as well as a new PET line to produce bottled mineral water in Lusaka.

In Ndola, the completion of the water treatment plant and soft drinks bottling facility as well as some utilities upgrades were the highlights. These projects have contributed significantly to the group's ability to meet demand. We also bought significant quantities of beer and soft drink glass bottles as well as crates during the year.

In addition, the renewal of our distribution and forklift fleets was completed.

GROUP RE-ORGANISATION

In line with our group re-organisational strategy, the business is planning a re-structuring. This will involve the consolidating of all four subsidiaries into one legal entity - Zambian Breweries Plc.

The effective date of this re-organisation is 1 April 2010. The rationale behind the re-organisation is the need to reduce administrative costs, duplication of work and to improve tax efficiency for the group.

PROSPECTS FOR THE FUTURE

Against the backdrop of a tough trading year, we can now look forward to an exciting and challenging year ahead. As always we will, as a group, be faced by a number of challenges and opportunities.

The opportunities for growth are clearly present as the economy begins to regain momentum lost over the past eighteen months. The copper price is recovering and mining activity on the Copper belt is increasing in response. General economic activity in the country is increasing and, with the favourable excise rate on beer and assuming stability in the global economy, one can expect a year of positive growth in both the beer and soft drink markets in Zambia.

To achieve our growth objectives however it will be necessary to overcome a number of significant challenges. Principal among these is the challenge of improving productivity in the face of rising operating costs. It will be necessary to address both the quantum and structure of these costs.

Pearson Gowero

Managing Director

Board of Directors

Valentine Chitalu***
Board Chairman
Zambian Breweries Plc

Valentine (45) 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 international corporate organisations. Valentine is a qualified Accountant and holds a Masters Degree in Development Economics.

Pearson Gowero*
Managing Director
Zambian Breweries Plc

Pearson (51) joined the Delta Corporation of Zimbabwe (a subsidiary of SABMiller) in 1997, holding a variety of positions in marketing and general management before being promoted in 2003 to the position of Executive Director of the Beverage Division where he had responsibility for clear beer, soft drinks and opaque beer. Pearson holds a BSc (Econ) from the University of Zimbabwe and an MBL from UNISA, and he joined the Zambian Breweries Group as Managing Director on 1 September 2006.

George Sokota***
Non-Executive Director
Zambian Breweries Plc

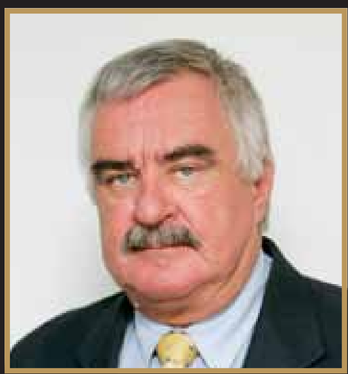
George (62) is a professional accountant and financial consultant in private practice. He is a fellow of the Institute of Chartered Accountants in England and Wales. He is also a fellow of the Association of Certified Accountants, United Kingdom and fellow of the Zambia Institute of Certified Accountants. He sits on a number of notable boards, several of which he chairs.

David Kvalsvig**
Financial Director
Zambian Breweries Plc

Dave (48) joined SABMiller in 1989 where he has held several senior financial positions within the Africa & Asian Divisions of the Group. Prior to joining Zambian Breweries on 1 July 2008, he was Financial Director at Swaziland Beverages Limited.

Mark Bowman**
Managing Director
SABMiller Africa

Mark (43) was appointed Managing Director of SABMiller Africa in October 2007. He joined SABMiller's beer division in 1993 and has held various senior positions in the Group. He has also held various positions in logistics, sales, distribution, IT and corporate strategy within the group.



Wesley John Tiedt**
Managing Director
National Breweries Plc

Wes (58) joined SABMiller in 1998 in Botswana as Managing Director of Botswana Breweries Limited. He joined National Breweries in Lusaka in May 2003 as Managing Director and was appointed a Director of Chibuku Products Limited of Malawi from May 2003. Wes has over 30 years experience in opaque beer and related products.

***Zambian, **South African, *Zimbabwean.

Executive Management Committee

Pearson Gowero Managing Director
Dave Kvalsvig Financial Director
Patrick Lead Marketing Director
Yves Le Boulenge Sales & Distribution Director
Ian Mackintosh Technical Director
Nyangu Kayamba Human Resource Director
Chibamba Kanyama Corporate Affairs Director

The Directors submit their report together with the audited financial statements for the year ended 31 March 2010, which disclose the state of affairs of the Zambian Breweries Plc ('the Company') and its subsidiaries (together 'the Group').

Principal activities

The principal activities of the Group are the production and distribution of clear beer and soft drinks. In the opinion of the Directors, all the activities of the Group substantially fall within the beverage industry.

Share capital

There were no changes in share capital during the year.

Operating results and dividends

	2010 K'million	2009 K'million
Revenue	615,558	486,651
(Loss)/profit for the year after tax	(720)	44,092

The Directors do not recommend the payment of a dividend.

Directors

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

Valentine Chitalu	-	Chairman
George Sokota	-	Non-Executive Director
Pearson Gowero	-	Managing Director
Wesley Tiedt	-	Non-Executive Director
Mark Bowman	-	Non-Executive Director
David Kvalsvig	-	Financial Director

Number of employees and remuneration

The total remuneration of employees during the year amounted to K65,664 million (2009: K58,661 million) and the average number of employees was as follows:

Month	Number	Month	Number
April	1,159	October	1,070
May	1,143	November	1,061
June	1,070	December	1,043
July	1,092	January	1,060
August	1,092	February	1,082
September	1,109	March	1,066

The Group recognises its responsibility regarding the occupational health, safety, and welfare of its employees and has put in place measures to safeguard them.

Gifts and donations

During the year the Group made charitable donations totalling K179 million (2009: K530 million).

Exports

No goods were exported from Zambia during the year (2009: Nil).

Property plant and equipment

The Group purchased property, plant and equipment amounting to K307, 587 million (2009: K238, 489 million) during the year. In the opinion of the Directors, the carrying value of property, plant and equipment is not more than its market value.

Research and development

No research and development costs were incurred by the Group during the year (2009: nil).

Auditors

The Groups auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office. In accordance with section 171(3) of the Companies Act, a resolution for their reappointment will be proposed at the annual general meeting.

By order of the Board

M. Mutimushi

Company Secretary

Date 22 June 2010

Maintaining its track record of adopting sound Corporate Governance principles over the years, Zambian Breweries Plc ("the Company") is in the forefront of applying the best management practices, in order to achieve high standards of governance. These practices are oriented towards enhancing investor confidence, with increased transparency and corporate responsibility.

The Company believes that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a core component of good Corporate Governance. Consequently the Company adheres to the laws applicable to it, to include among others, the Company's Act, Employment Act and Factories Act etc.

The Company draws guidance from the Lusaka Stock Exchange Governance Code, the UK Combined Code on Corporate Governance and the Turnbull guidance report on internal controls. The Company continues to enforce and foster the Declaration of Gifts and Ethics policies which are in place.

Framework

The Company has established a formal governance framework by way of adopting comprehensive Board Procedures on Corporate Governance. This framework provides detailed guidance for effective governance of the Company which includes formal policies, procedures and relevant management reporting requirements.

Zambian Breweries Plc is committed to improving its governance practices to suit the changing needs and reviews the governance practices from time to time.

This report therefore aims to provide an overview of the Company's governance practices. It is comprehensive, albeit to avoid duplicity of information the other relevant information will be contained in the other reports and financial statements that form part of the Annual Report for the year.

The Board of Directors

The Board is elected by the shareholders of the Company in accordance with the provisions of the Articles of Association of the Company. The Board is accountable to the shareholders and is hence responsible for the management and performance of the Company. The Board also takes the responsibility of laying down the necessary policies and directions in order to ensure strategic guidance and effective monitoring of the Company. Principles of good governance are embedded in the way the Board, its sub-committee and the executive committee operates their business. The Board applies integrity, principles of good governance and accountability throughout its activities and each director brings independence of character and judgment to their role.

Composition and Role of the Board

The Board consists of six directors. Two independent members, one of whom is the Chairman, two executive directors; the Managing Director, and the Financial Director, and two non-independent non-executive Directors. The Board has a majority of non-executive Directors.

The Executive Directors propose strategy and implement operational decisions concerning the Company's businesses. Non-executive Directors complement the skills and experience of the executive directors, by contributing to the formulation of strategy, policy and decision making through their knowledge and experience of other businesses and sectors.

There is a clear division of responsibilities between the Chairman and the Managing Director. The Chairman of the Board is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, taking into account the issues relevant to the Company and the concerns of all Board Members. The Chairman also maintains effective communication with the shareholders and ensures that all Directors receive sufficient, timely and accurate information on all issues to be dealt with by the Board.

The Managing Director is responsible for the executive leadership and day-to-day management of the Company. He is accountable to the Board for the development, recommendation and implementation of strategies, policies and the framework of controls. The Managing Director is assisted by a team of Directors for each function within the business.

The Board believes that its overall composition in the year under review continued to remain appropriate, having regard in particular to the independence and integrity of all of its Directors and experience and skills which they bring to their duties.


We're building Zam


nbia's dream team!

Board Committees

Whilst significant matters are dealt with by the Board, the Directors have delegated to the Board Committees the authority to co-ordinate, guide and monitor the management and performance of the Company.

The Audit Committee supports the Board in fulfilling its oversight responsibility with regard to financial reporting, the system of internal controls and the process for monitoring compliance with laws and regulations. It is composed of three members, all of whom are independent of management.

The head of the Internal Audit function reports to the Audit Committee and has unrestricted access to the chairperson of the Audit Committee. The department has a robust and continuing training program.

As a consequence of the foregoing, the Board has satisfied itself of the effectiveness of the Audit Committee's input to the business and also deems appropriate the composition of the Committee.

Board Meetings and Attendance

The Board met three (3) times during the year and in addition held the Annual General Meeting (AGM).

All the Board members attended the meetings as set out for the year.

The Audit Committee also met three times during the year. The external auditors, the Managing Director and Financial Director were in attendance but only by invitation. Other members of the Board attended as required.

Board and Audit Committee Charters

The Board and Audit Committee charters outline the specific responsibilities of the Board and terms of reference of its sub-committee.

In pursuance of its mandate, the Board does not restrict itself to the charter but applies professional judgment and independence when it comes to matters of strategy and issues requiring further consideration.

Board Evaluation

The Board performs a self evaluation assessment to assess the effectiveness of their functioning. This is against set benchmark parameters alongside which performance is evaluated. Appraisal is led by the Chairman with input from both the executive and non-executive Directors.

Retirement and Election of Directors

It is the Board's policy that new Directors are subject to election at the first opportunity following their appointment.

Non-executive Directors are subject to retirement and re-election on annual basis, in accordance with the Articles of Association.

Company Secretary

The Company Secretary is appointed by the Board of Directors. All Board members have access to the secretarial services provided by the secretarial office.

In liaison with the Chairman, the Company Secretary ensures timely communication and circulation of all matters relating to the Board.

Staff Development, Training and Information Technology

Zambian Breweries plc is committed to staff development and training as this is a key ingredient to continued and improved operations.

The Company places emphasis on information technology as key in its strategy of delivering quality products which are the first choice of our customers and consumers. To this end, the Company has over the last two years, invested in the automation of all key processes from raw and packaging material receipts to manufacturing, sales & distribution and finally payment system for our goods and services. All the outlining Depots, in the country, are connected via satellite.

Stakeholder Relations

Zambian Breweries plc places considerable importance in maintaining active investor relations through open, fair and transparent communications. The Company ensures timely dissemination of information to its investors and other stakeholders through various media. A dedicated shareholders unit through the Transfer Secretaries is responsible for active interaction with the shareholders.

The Company went beyond the unit and organized a shareholders day during the year to augment and harness the relationship with the shareholders.

The Board considers the AGM key in providing shareholders with the opportunity to ask the Board and chairperson of the Audit committee questions concerning the affairs of the Company. It is held within three (3) months of the close of the financial year or longer with the necessary permissions from regulators, if required. Accordingly, all legal and regulatory requirements, notices and information are released well in advance to shareholders, regulators, stock exchange and Company websites.

To this end, the Company ensures copies of the Annual Report and Accounts are made available well before the AGM as this ensures the shareholders have insight of the business performance.

Corporate Social Responsibility

The Company is committed to a Sustainable Development agenda that sets to help communities meet present needs without compromising the ability of the future generations to meet their own needs. The Company's corporate social responsibility programmes for the year are as hereunder:-

i) Discouraging irresponsible drinking

Zambian Breweries plc instituted a vigorous Alcohol Responsibility agenda with a bias towards three main challenges; drinking and driving, binge drinking and under-age drinking, with the support of various partners and members of staff.

ii) Making more beverages with less water

Water quality and quantity are under threat in some parts of the world. In its bid to be more efficient in water use and reduce risks and costs, the Company has since invested in various systems to reduce our water.

iii) Reducing our energy and carbon footprint

Since packaging plays a vital role in delivering products to consumers in a manner that preserves the integrity of the product, the Company's approach has been to use less packaging by investing in 'light-weight' bottles.

This has reduced the amount of glass used in bottle production which is enabling it to get more bottles from the same tonne of glass at less energy and raw material cost. As a result, transport costs have reduced because fuel consumption and the difference in glass mass can now afford us more room for extra cases on the trucks.

iv) Packaging reuse and recycling

Being packaging intensive in its operations, the Group has initiated the establishment of a Producer Responsibility Organisation (PRO), a consortium of industry players. The PRO will identify more sustainable packaging materials while at the same time supporting re-use and re-cycling.

v) Encouraging enterprise development in our value chains

To encourage enterprise development in our value chain, we supported the local supply of bottle labels from Nampak and supported a group of Barley farmers in Lusaka and Mpongwe to supply us with local barley for beer production.

In the spirit of collaboration, vendors of our soft drinks on the Copperbelt were taken through the business linkages programme, a component of the ILO's broad-based Wealth and Job Creation.

vi) Benefiting communities

In bringing benefit to the communities around us, two women's groups from Matero and Chipulukusu have been contracted to sort out bottles and empty crates in our Warehouses at Lusaka and Ndola, a project that has seen increased line efficiencies within our production process.

In the year under review, the Group supported most of the sport disciplines in the country. Notable, among these was the sponsorship, through our Mosi Brand, of the Men's National Soccer team – commonly referred to as the 'Chipolopolo'. A total of K 4 Billion was initially spent with additional financial and material support being committed upon qualification to the African and World Cups.

vii) Contributing to the reduction of HIV/AIDS

HIV/AIDS is particularly relevant to our operations and as such, we have deliberate programmes that enable us increase participation of employees and their spouses in annual Voluntary Counseling & Testing (VCT) and as a follow up to this, increase the percentage of HIV positive spouses and dependents on the managed health care programme. During the course of this financial year, we exceeded our target of 75% for VCT re-testing.

viii) Respecting Human Rights & Transparency

We conduct our business with respect for national cultures and different local laws, norms and traditions.

All members of staff have been trained in ethical behavior and given copies of the Ethics policy; a strict code of practice and conduct that is to be applied in our day to day running of the business.

We believe in reporting our sustainable development progress and performance to our stakeholders, knowing there is a demand for greater transparency in our dealings and to this end, have committed to share our progress and expect the same levels of commitment from all third parties acting on our behalf.

Internally the Board and Management consider effective communication as being critical to the success of the business. To this effect, the Corporate Affairs department produces a quarterly magazine which is circulated to all employees. The magazine highlights key issues affecting the business be it financial performance, corporate governance, risk management, human resource, production, sales and distribution.

External Auditors

External Auditors are appointed by the shareholders and are subject to reappointment at the AGM. The current external auditors of the Company are PricewaterhouseCoopers (PwC). As a reassurance, PwC confirms in a formal report to the Audit committee that processes to ensure compliance with the policy are in place and that these processes are monitored regularly.

The Company together with External Auditors ensures that quality and independent audits are undertaken through regular and systematic Audit Planning and also rotation of client staff engaged on the audits. You will note that the previous Audit Partner, Mr. Richard Mazombwe, retired in 2008/2009 financial year as Client Audit Partner and was replaced by Mr. M. Mugasa.

These changes are in line with international Corporate Governance best practices.

Risk Management

Risk management forms an integral part of Zambian Breweries plc's core values and the Company lays emphasis on adopting a structured and holistic risk management framework, in order to identify, control, mitigate and manage the risks across the Company.

The directors are responsible for the Company's risk management systems and for reviewing their effectiveness. The risk management system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

Legal and Compliance

The Company, as part of its management structure, has a Legal Counsel through whom matters pertaining to monitoring compliance with laws and regulations are done.

The Board and senior management are regularly briefed of any changes to the laws that are seen to impact on the business

Organisational Integrity

In its continued efforts to foster integrity within the organisation, the Company continues to enforce the Ethics policy and encourages all employees to make a declaration of their assets and/or business involvements' every year.

Employees are also encouraged to declare all the gifts received in the course of employment by way of a gift register.

Statement of Directors' Responsibilities
For the year ended 31 March 2010

The Zambia Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries 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
22 June 2010

Pearson Gowero
Managing Director
22 June 2010

PRICEWATERHOUSECOOPERS

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of Zambian Breweries Plc ("the company") and its subsidiaries (together, "the Group") for the year ended 31 March 2010 set out on pages 20 to 53. These financial statements comprise the consolidated balance sheet at 31 March 2010 and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, together with the balance sheet of the company standing alone as at 31 March 2010 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Zambia Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 March 2010 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Zambia Companies Act.

PRICEWATERHOUSECOOPERS

Report on other legal requirements

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

We confirm that in our opinion the accounting records and other records and registers required by the Zambia Companies' Act have been kept by the company, so far as appears from our examination of those records.

Chartered Accountants **22 June, 2010**
Lusaka

Mark Libakeni
Partner

Zambian Breweries Plc
Consolidated Financial Statements
For The Year Ended 31 March 2010

(all amounts are in millions of Kwacha unless otherwise stated)

Consolidated profit and loss account

		Year Ended 31 March	
	Notes	**2010**	**2009**
Turnover		837,256	673,086
Excise duty		(221,698)	(186,435)
Revenue	5	615,558	486,651
Cost of sales		(362,442)	(255,136)
Gross Profit	5	253,116	231,515
Other income/ (expense)	6	5,660	(10)
Distribution costs		(91,368)	(54,913)
Administrative expenses		(97,416)	(73,805)
Other operating costs		(16,956)	(9,973)
Operating profit	7	53,036	92,814
Finance costs	9	(49,216)	(19,338)
Profit before income tax		3,820	73,476
Income tax expense	10	(4,540)	(29,384)
(Loss)/ profit for the year		(720)	44,092
(Loss)/ earnings per share for profits attributable to the equity holders of the Company			
- basic and diluted (Kwacha per share)	11	(1.98)	121.13
Dividends			
Interim - paid		-	13,104
Final - proposed		-	18,113
		-	31,217

Consolidated statement of comprehensive income

	Year ended 31 March	
	2010	**2009**
(Loss)/profit for the year	(720)	44,092
Other comprehensive income for the year	-	-
Total comprehensive (loss)/ income for the year	(720)	44,092

(all amounts are in millions of Kwacha unless otherwise stated)

Consolidated balance sheet

	Notes	At 31 March 2010	2009
Equity			
Share capital	12	364	364
Share premium	13	99,474	99,474
Retained earnings		91,887	110,720
Total equity		191,725	210,558
Non-current liabilities			
Borrowings	14	257,200	7,563
Deferred income tax	15	68,552	64,709
Total non-current liabilities		325,752	72,272
Total equity and non-current liabilities		517,477	282,830
Non current assets			
Property, plant and equipment	16	677,634	441,430
Investment property		-	220
Intangible assets	18	73,897	71,987
		751,531	513,637
Current assets			
Inventories	19	159,733	130,904
Trade and other receivables	20	49,039	31,561
Current income tax	10	20,749	9,914
Cash and bank balances		107	20,439
		229,628	192,818
Current liabilities			
Trade and other payables	22	358,811	272,862
Borrowings	14	104,871	150,763
		463,682	423,625
Net current liabilities		(234,054)	(230,807)
Net assets		517,477	282,830

The financial statements on pages 20 to 53 were approved for issue by the Board of Directors on 22 June, 2010 and signed on its behalf by:

Valentine Chitalu
Chairman

Pearson Gowero
Managing Director

(all amounts are in millions of Kwacha unless otherwise stated)

Company balance sheet

	Notes	At 31 March 2010	2009
Equity			
Share capital	12	364	364
Share premium	13	99,474	99,474
Retained earnings		1,230	18,424
Total equity		101,068	118,262
Non-current liabilities			
Borrowings	14	257,200	7,563
Deferred income tax	15	45,263	42,063
Total non-current liabilities		302,463	49,626
Total equity and non-current liabilities		403,531	167,888
Non current assets			
Property, plant and equipment	16	398,307	202,012
Investment in subsidiaries	17	105,536	105,536
Intangible assets	18	1,910	-
		505,753	307,548
Current assets			
Inventories	19	101,470	75,669
Trade and other receivables	20	169,743	155,773
Current income tax	10	19,082	15,443
Cash and bank balances		107	17,973
		290,402	264,858
Current liabilities			
Trade and other payables	22	287,753	253,755
Borrowings	14	104,871	150,763
		392,624	404,518
Net current liabilities		(102,222)	(139,660)
Net assets		403,531	167,888

The financial statements on pages 20 to 53 were approved for issue by the Board of Directors on 22 June, 2010 and signed on its behalf by:

Valentine Chitalu
Chairman

Pearson Gowero
Managing Director

Zambian Breweries Plc
Consolidated Financial Statements
For The Year Ended 31 March 2010
(all amounts are in millions of Kwacha unless otherwise stated)

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
Year ended 31 March 2009				
At start of year	364	99,474	108,765	208,603
Comprehensive income				
Profit for the year	-	-	44,092	44,092
Total comprehensive income	-	-	44,092	44,092
Transactions with owners				
Dividends				
- Final for 2008	-	-	(29,033)	(29,033)
- Interim for 2009	-	-	(13,104)	(13,104)
Total transactions with owners			(42,137)	(42,137)
At end of year	364	99,474	110,720	210,558
Year ended 31 March 2010				
At start of year	364	99,474	110,720	210,558
Comprehensive income				
Profit for the year	-	-	(720)	(720)
Total comprehensive income	-	-	(720)	(720)
Transactions with owners				
Dividends				
- Final for 2009	-	-	(18,113)	(18,113)
Total transactions with owners	-	-	(18,113)	(18,113)
At end of year	364	99,474	91,887	191,725

Zambian Breweries Plc
Consolidated Financial Statements
For The Year Ended 31 March 2010
(all amounts are in millions of Kwacha unless otherwise stated)

Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
Year ended 31 March 2009				
At start of year	364	99,474	28,839	128,677
Comprehensive income				
Profit for the year	-	-	31,722	31,722
Total comprehensive income	-	-	31,722	31,722
Transactions with owners				
Dividends				
- Final for 2008	-	-	(29,033)	(29,033)
- Interim for 2009	-	-	(13,104)	(13,104)
Total transactions with owners			(42,137)	(42,137)
At end of year	364	99,474	18,424	118,262
Year ended 31 March 2010				
At start of year	364	99,474	18,424	118,262
Comprehensive income				
Profit for the year			919	59
Total comprehensive income	364	99,474	19,343	118,321
Transactions with owners				
Dividends				
- Final for 2009	-	-	(18,113)	(18,113)
Total transactions with owners	-	-	(18,113)	(18,113)
At end of year	364	99,474	1,230	100,208

(all amounts are in millions of Kwacha unless otherwise stated)

Consolidated statement of cash flows

	Notes	Year ended 31 March 2010	2009
Cash flows from operating activities			
Cash generated from operations	23	146,951	228,786
Interest received		749	290
Interest paid		(42,987)	(15,668)
Income tax paid	10	(11,532)	(33,238)
Net cash generated from operating activities		93,181	180,170
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(307,587)	(238,489)
Purchase of software licences	18	(2,084)	-
Proceeds from sale of property, plant and equipment		1,201	1,366
Proceeds from disposal of investment property		9,325	-
Net cash used in investing activities		(299,145)	(237,123)
Cash flow from financing activities			
Repayments of other loans		(7,500)	(519)
Proceeds from bank loans		257,200	-
Dividends paid to shareholders		(18,113)	(42,137)
Net cash from/ (used in) financing activities		231,587	(42,656)
Increase/ (decrease) in cash and cash equivalents		25,623	(99,609)
Movement in cash and cash equivalents			
At start of year		(122,761)	(23,152)
Increase/ (decrease) in cash and cash equivalents		25,623	(99,609)
At end of year	21	(97,138)	(122,761)

NOTES

1 General Information

Zambian Breweries Plc 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 of Zambian Breweries Plc is:

Plot Number 6438, Mungwi Road
Heavy Industrial Area
Lusaka
Zambia.

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 are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, unless otherwise stated in the accounting policies below. The financial statements are presented in Zambian Kwacha (K), rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

- **Adoption of new and revised standards**

In 2010, new and revised standards and interpretations became effective for the first time and have been adopted by the Company where relevant to its operations. The adoption of these new and revised standards and interpretations had no material effect on the Company's accounting policies or disclosures:

- IFRS 8, 'Operating segments' – effective 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Since the change in accounting policy only impacts presentation aspects, there is no effect on earnings per share.

- IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES (continued)

- **Amendments to existing standards effective in 2009, but not relevant**

  In 2009, the following amendments to existing standards became effective but are not relevant to the Company's operations.

  IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the adoption of the amendment results in additional disclosures, there is no impact on earnings per share.

  IFRS 2 (amendment), 'Share-based payment' - effective from 1 January 2009. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment

  IAS 23 (amendment), 'Borrowing costs' - effective from 1 January 2009.The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

- **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

  Two revised standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Company's accounting periods beginning on or after 1 January 2010, but the Company has not early adopted any of them. The changes will have no impact on the financial statements.

b) Consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The company's investment in subsidiaries is carried at cost.

Inter-company transactions, balances and unrealised gains on transactions between company companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

NOTES (continued)

c) Functional currency and translation of foreign currencies

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Zambia Kwacha, which is the Company's functional currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. 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 the profit and loss account.

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

d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account within administrative expenses.

e) Cash and cash equivalents

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. Bank overdrafts are shown within borrowings under current liabilities on the balance sheet.

f) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

g) 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 the profit and loss account over the period of the borrowings.

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

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of excise duty, value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

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 amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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 group delivers products to the customer,the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Interest income is recognised using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established..

i) Property plant and equipment

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

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

Buildings	25 – 40 years
Plant and equipment	3 – 15 years
Returnable containers	1.5 – 5 years
Motor vehicles	5 years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

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 reference to their carrying amount and are included in the profit and loss account.

NOTES (continued)

j) Intangible assets

(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the company's investment in each reporting segment.

(ii) Computer software is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The computer software is amortised over its useful life of 3 years.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the Group's standard costing method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct cost and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

l) Employee benefits

(i) Retirement benefit obligations

The Group operates defined contribution retirement benefit schemes for its employees. The Group 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 Group pays fixed contributions into a separate entity. The Group 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 Group and employees.

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

(ii) Other entitlements

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

NOTES (continued)

m) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Tax is recognised in the profit and loss account unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax is not accounted for if it arises from the 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 balance sheet 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 is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

n) Dividends

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

o) 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.

p) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

NOTES (continued)

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group'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 SABmiller Plc, the ultimate parent company.

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 group is exposed are foreign exchange risk and interest rate risk

i) Foreign exchange risk

The Group's functional currency is Zambian kwacha ("ZMK"). As virtually all of the group's revenues are derived in ZMK and the majority of its business is conducted in ZMK, foreign exchange risk arises from transactions denominated in currencies other than ZMK. Sales are denominated in ZMK and the majority of operating expenses are denominated in ZMK. The group's primary foreign exchange exposures are to the US Dollar ("USD") and South African rand ("ZAR"); to the local currencies of suppliers who provide raw materials and capital equipment for project development, principally the US dollar ("USD") and South African rand ("ZAR").

As at 31 March 2010, with other variables unchanged,if the Kwacha had weakened/strengthened by 10% (2009: 10%) against the US dollar, with all other variables held constant, consolidated post tax loss for the year would have been K4,216 million higher/lower (2009: post tax profit - K2,420 million lower/higher), mainly as a result of the revaluation of US dollar denominated supplier balances. Equity would have been K4,216 million lower/higher (2009: K2,420 million lower/higher).

At 31 March 2010, with other variables unchanged, if the Kwacha had weakened/strengthened by 10% (2009: 10%) against the South African Rand, with all other variables held constant, consolidated post tax loss for the year would have been K7,409 million higher/lower (2009: post tax profit - K4,318 million lower/higher), mainly as a result of the revaluation of Rand denominated supplier balances. Equity would have been K7,409 million lower/higher (2009: K4,318 million lower/higher)

ii) Interest rate risk

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

As at 31 March 2010, with other variables unchanged, a 1% change in the base interest rate (2009: 1%) would result in consolidated post tax loss for the year being K3,621 million higher/lower (2009: K1,583 million lower/higher). Equity would have been K3,621 million lower/ higher (2009: K1,583 million lower/higher)

b) Price risk

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

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

3 Financial risk management (continued)

c) Credit risk

The Group 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. The Group's main credit risk therefore comes from its exposure to trade and other receivables but the Group does not have significant concentrations of credit risk in these areas.

Trade receivables are managed by the Credit Control Manager. The Credit Control Manager assesses the credit quality of each customer, 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.

Bank guarantees are obtained for the vast majority of credit customers.

The Group's maximum exposure to credit risk at 31 March 2010 was as follows:

	Group		Company	
	2010	2009	2010	2009
Cash and cash equivalents	107	20,439	107	17,973
Trade receivables	21,849	15,638	7,801	3,290
Amounts due from related parties	10,926	-	-	-
Other receivables	6,315	1,763	6,315	1,763
	39,197	37,840	14,223	23,026

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above 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):

Past due but not impaired:				
- by up to 30 days	1,643	1,362	1,296	75
- by more than 31 days	322	1,480	540	819
Total past due but not impaired	1,965	2,842	1,836	894
Bank guarantees	1,965	2,842	1,836	894
Receivables impaired in full	2,425	2,175	1,636	1,386

All receivables subject to litigation or past due by more than 60 days are considered to be impaired, and are carried at their estimated recoverable value.

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

3 Financial risk management (continued)

d) Liquidity risk

The Group 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. Group-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 table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year	Between 1 and 2 years	Total
At 31 March 2010:			
- borrowings	118,504	280,348	398,852
- trade and other payables	358,811	-	358,811
	477,315	280,348	757,663
At 31 March 2009:			
- borrowings	152,927	8,490	161,417
- trade and other payables	272,862	-	272,862
	425,789	8,490	434,279

Company	Less than 1 year	Between 1 and 2 years	Total
At 31 March 2010:			
- borrowings	118,504	280,348	398,852
- trade and other payables	287,753	-	287,753
	477,315	280,348	757,663
At 31 March 2009:			
- borrowings	152,927	8,490	161,417
- trade and other payables	253,755	-	253,755
	425,789	8,490	434,279

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

3 Financial risk management (continued)

e) Capital management

The group'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 Group 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 group in Zambia. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

During the year Company's strategy was to maintain a gearing ratio less than 75%. The gearing ratio at 31 March 2010 was 65% (2009: 40%)

	2010	2009
Total borrowings	362,071	158,326
Less: cash and cash equivalents	(107)	(20,439)
Net debt	361,964	137,887
Total equity	191,725	210,558
Total capital	553,689	348,445
Gearing ratio	65%	40%

f) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. The group does not hold any financial instruments carried at fair value.

NOTES (continued)

4 Critical accounting estimates and judgements

(i) Critical judgements in applying the Group's accounting policies

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

(ii) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 Group tests annually whether goodwill has suffered any impairment, in accordance with accounting policy (j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The assumptions used in the calculations are set out in Note 18.

Income taxes
The Group is subject to income tax for the Company and in various subsidiaries. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will 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 tax provisions in the period in which such determination is made

5 Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee for strategic decision making. The committee considers the business from a product perspective.

The reportable operating segments derive their revenue primarily from the manufacture and sale of Alcoholic and Non-alcoholic beverages respectively.

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

5 Segment information (continued)

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 March 2010 is as follows:

Year ended 31 March 2010	**Alcoholic beverages**	**Non-alcoholic beverages**	**Total**
Revenues from external customers	364,042	251,516	615,558
Gross profit	142,377	110,739	253,116
Depreciation of property plant and equipment	(36,425)	(33,968)	(70,393)
Amortisation of intangible assets	(174)	-	(174)
Interest income	714	35	749
Finance costs	(28,550)	(20,666)	(49,216)
Other operating expenses	(74,681)	(55,581)	(130,262)
Income tax credit/ (expense)	3,016	(7,556)	(4,540)
Profit/(loss) for the year	6,277	(6,997)	(720)
Total assets	733,596	226,707	960,303
Total assets include:			
Property, plant and equipments	548,494	129,140	677,634
Intangible assets	18,971	54,926	73,897
Inventories	127,111	32,622	159,733
Trade and other receivables	39,020	10,019	49,039
Total assets	733,596	226,707	960,303
Total liabilities	276,744	82,067	358,811

(all amounts are in millions of Kwacha unless otherwise stated)

5 Segment information (continued)

The segment information for the year ended 31 March 2009 is as follows:

Year ended 31 March 2009	Alcoholic Beverages	Non-alcoholic Beverages	Total
Revenues from external customers	273,997	212,654	486,651
Gross profit	130,854	100,661	231,515
Depreciation of property, plant and equipment	(12,754)	(17,384)	(30,138)
Interest income	289	1	290
Finance costs	(10,992)	(8,846)	(19,838)
Other operating expenses	(42,152)	(66,201)	(108,353)
Income tax expense	(25,627)	(3,757)	(29,384)
Profit for the year	39,618	4,474	44,092
Total assets	454,205	221,897	676,102
Total assets include:			
Property, plant and equipments	318,032	123,398	441,430
Investment property	220	-	220
Intangible assets	17,061	54,926	71,987
Inventories	97,534	33,370	130,904
Trade and other receivables	21,358	10,203	31,561
Total assets	454,205	221,897	676,102
Total liabilities	266,778	6,084	272,862

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. These assets and liabilities are allocated based on the operations of the segment.

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

5 Segment information (continued)

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2010	2009
Segment liabilities for reportable segments	358,811	272,862
Unallocated:		
- Deferred income tax liabilities	68,552	64,709
- Current borrowings	104,871	150,763
- Non-current borrowings	257,200	7,563
Total liabilities per the balance sheet	789,434	495,897

Revenues of approximately K 219,496 million (2009: K 173,517 million) are derived from the group's top 7 customers and are derived from Alcoholic beverages (K154,354 million) and Non-alcoholic beverages (K65,142 million)

6 Other income

	2010	2009
Interest income	749	290
Investment property- rental income	1,196	548
Profit on disposal of investment property	9,105	-
Profit/ (loss) on disposal property, plant and equipment	211	(348)
Net foreign exchange loss other than on borrowings and cash and cash equivalents	(5,601)	(500)
	5,660	(10)

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

7 Expenses by nature

	2010	2009
Employee benefits expense (Note 8)	65,664	58,661
Depreciation on property, plant and equipment (Note 16)	70,393	30,138
Amortisation of intangible assets (Note 18)	174	-
Receivables-provision for impairment losses	410	555
Write-down of inventories	884	117
Auditors' remuneration	595	550

8 Employee benefits expense

The following are included within the employee benefits expense:

Salaries and wages	54,782	56,449
Other non-cash benefits	6,904	8,685
Retirement benefits cost		
- Defined contribution scheme	2,200	1,925
- National Pension Scheme Authority	1,778	1,602
	65,664	58,661

9 Finance costs

Interest expense:		
- Bank borrowings	42,987	13,626
- Other loans	-	2,042
	42,987	15,668
Net foreign exchange loss arising on borrowings	6,229	3,670
	49,216	19,338

10 Income tax

Current income tax	697	10,098
Deferred income tax (Note 15)	3,843	19,286
Income tax expense	4,540	29,384

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

10 Income tax (continued)

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

	2010	2009
Profit before income tax	3,820	73,476
Tax calculated at the statutory income tax rate of 35% (2009: 35%)	1,337	25,717
Tax effect of:		
- Expenses not deductible for tax purposes	3,203	3,667
Income tax expense	4,540	29,384
Current income tax movement in the balance sheet Group		
At start of the year	(9,914)	13,226
Charge for the year	697	10,098
Paid during the year	(11,532)	(33,238)
At end of the year	(20,749)	(9,914)
Company		
At start of the year	(15,443)	9,314
Charge for the year	236	3,109
Paid during the year	(3,875)	(27,866)
At end of the year	(19,082)	(15,443)

Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 31 March 2002. A self-assessment system for income tax was introduced for periods subsequent to 31 March 2002. Income tax returns have been filed with the ZRA for subsequent years. Quarterly tax payments were made on the due dates.

11 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. There were no potentially dilutive shares outstanding at 31 March 2010 or 2009. Diluted earnings per share are therefore the same as basic earnings per share.

	2010	2009
(Loss)/profit attributable to equity holders of the Group	(720)	44,092
Weighted average number of ordinary shares in issue (millions)	364	364
Basic (loss)/ earnings per share (in Kwacha)	(1.98)	121.13

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NOTES (continued)

12	**Share capital**	**2010**	**2009**
	Authorised 400,000,000 ordinary shares of K1 each	400	400
	Issued and fully paid 364,000,000 ordinary shares of K1 each	364	364

13	**Share premium**		
	At start and at end of year	99,474	99,474

14	**Borrowings**	**2010**	**2009**	**2010**	**2009**
		Group		**Company**	
	The borrowings are made up as follows:				
	Non-current:				
	Bank loans	257,200	-	257,200	-
	Other borrowings	-	7,563	-	7,563
		257,200	7,563	257,200	7,563
	Current:				
	Bank overdrafts	97,245	143,200	97,245	143,200
	Other borrowings	7,626	7,563	7,626	7,563
		104,871	150,763	104,871	150,763
	Total borrowings	362,071	158,326	362,071	158,326
	Weighted average effective interest rates at the year end were:				
		%	%	%	%
	- Bank overdrafts	13	14	13	14
	- Bank loans	9	-	9	-
	- Other borrowings	12	12	12	12

The Group has the following undrawn borrowing facilities:

Floating rate –expiring within one year	9,740	3,384
Floating rate –expiring in more than one year	157,800	-

The other borrowings are denominated in Zambia Kwacha, secured by certain buildings and are repayable within a year.

The bank borrowings are denominated in Zambia Kwacha, is secured by guarantee by the Group's parent company and is repayable over 2 years, with a one year moratorium.

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

15 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 35% (2009: 35%). The movement on the deferred income tax account is as follows:

	2010 Group	2009	2010 Company	2009
At start of year	64,709	45,423	42,063	22,079
Charge for the year	3,843	19,286	3,200	19,984
At end of year	68,552	64,709	45,263	42,063

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

Group **Year ended 31 March 2010**	**01.04.2009**	**Charged/ (credited) to P&L**	**31.03.2010**
Deferred income tax liabilities			
Property, plant and equipment	66,169	64,987	131,156
Deferred income tax assets			
Other deductible temporary differences	1,460	(59)	1,401
Tax losses carried forward	-	61,203	61,203
	1,460	61,144	62,604
Net deferred income tax liability	64,709	3,843	68,552
Year ended 31 March 2009			
Deferred income tax liabilities			
Property, plant and equipment	45,423	20,746	66,169
Deferred income tax assets			
Other deductible temporary differences	-	1,460	1,460
Net deferred income tax liability	45,243	19,286	64,709

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

15 Deferred income tax (continued)

Company		**Charged/ (credited) to**	
Year ended 31 March 2010	**01.04.2009**	**P&L**	**31.03.2010**
Deferred income tax liabilities			
Property, plant and equipment	43,523	35,573	79,096
Deferred income tax assets			
Other deductible temporary differences	1,460	(59)	1,401
Tax losses carried forward	-	32,432	32,432
	1,460	32,373	33,833
Net deferred income tax liability	42,063	3,200	45,263
Year ended 31 March 2009			
Deferred income tax liabilities			
Property, plant and equipment	22,079	21,444	43,523
Deferred income tax assets			
Other deductible temporary differences	-	1,460	1,460
Net deferred income tax liability	22,079	19,984	42,063

Under the income tax legislation, the company can carry forward tax losses for upto five years

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

16 Property, plant and equipment

Group	Buildings	Plant, containers &vehicles	Capital work in progress	Total
At 1 April 2008				
Cost	26,967	296,736	49,462	373,165
Accumulated depreciation	(3,776)	(134,596)	-	(138,372)
Net book amount	23,191	162,140	49,462	234,793
Year ended 31 March 2009				
At start of year	23,191	162,140	49,462	234,793
Additions	-	70,898	167,591	238,489
Disposals	-	(1,714)	-	(1,714)
Transfers	4,002	79,580	(83,582)	-
Depreciation charge	(535)	(29,603)	-	(30,138)
At end of year	26,658	281,301	133,471	441,430
At 31 March 2009				
Cost	30,969	440,606	133,471	605,046
Accumulated depreciation	(4,311)	(159,305)	-	(163,616)
Net book amount	26,658	281,301	133,471	441,430
Year ended 31 March 2010				
At start of year	26,658	281,301	133,471	441,430
Additions	51	91,227	216,309	307,587
Disposals	-	(990)	-	(990)
Transfers	36,524	272,362	(308,886)	-
Depreciation charge	(1,332)	(69,061)	-	(70,393)
At end of year	61,901	574,839	40,894	677,634
At 31 March 2010				
Cost	67,544	727,604	40,894	836,042
Accumulated depreciation	(5,643)	(152,765)	-	(158,408)
Net book amount	61,901	574,839	40,894	677,634

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

16 Property, plant and equipment (continued)

Company	Buildings	Plant, containers &vehicles	Capital work in progress	Total
At 1 April 2008				
Cost	18,172	157,901	15,905	191,978
Accumulated depreciation	(2,845)	(64,354)	-	(67,199)
Net book amount	15,327	93,547	15,905	124,779
Year ended 31 March 2009				
At start of year	15,327	93,547	15,905	124,779
Additions	-	26,225	43,058	69,283
Disposals	-	(1,566)	-	(1,566)
Transfers	995	40,670	(41,665)	-
Depreciation charge	(456)	10,365	-	9,909
At end of year	15,866	169,241	16,905	202,012
At 31 March 2009				
Cost	19,167	219,448	16,905	255,520
Accumulated depreciation	(3,301)	(50,207)	-	(53,508)
Net book amount	15,866	169,241	16,905	202,012
Year ended 31 March 2010				
At start of year	15,866	169,241	16,905	202,012
Additions	-	30,547	197,558	228,105
Disposals	-	(769)	-	(769)
Transfers	14,990	160,325	(175,316)	-
Depreciation charge	(511)	(30,529)	-	(31,040)
At end of year	30,345	328,815	39,147	398,307
At 31 March 2010				
Cost	34,157	406,501	39,147	479,805
Accumulated depreciation	(3,812)	(77,686)	-	(81,498)
Net book amount	30,345	328,815	39,147	398,307

17 Investment in subsidiaries

The company's interest in subsidiaries, all of which are unlisted and have the same year end as the company, were as follows:

	Country of incorporation	% Interest held	2010	2009
Zambia Bottlers Limited	Zambia	100	55,646	55,646
Copperbelt Bottling Company Limited	Zambia	100	39,169	39,169
Northern Breweries Plc	Zambia	100	10,721	10,721
			105,536	105,536

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

18 Intangible assets	**Goodwill**	**Software Licences**	**Total**
Group			
Year ended 31 March 2009			
At start and at end of year	71,987	-	71,987
Year ended 31 March 2010			
At start of year	71,987	-	71,987
Additions	-	2,084	2,084
Amortisation charge	-	(174)	(174)
At end of year	71,987	1,910	73,897
At 31 March 2010			
Cost	71,987	2,084	74,071
Accumulated amortisation	-	(174)	(174)
Net book amount	71,987	1,910	73,897
Company			
Year ended 31 March 2010			
At start of year	-	-	-
Additions	-	2,084	2,084
Amortisation charge	-	(174)	(174)
At end of year	-	1,910	1,910
At 31 March 2010			
Cost	-	2,084	2,084
Accumulated amortisation	-	(174)	(174)
Net book amount	-	1,910	1,910

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the operating segment. A segment-level summary of the goodwill allocation is presented below

	2010			**2009**		
	Alcoholic beverages	Non-alcoholic beverages	Group	Alcoholic beverages	Non-alcoholic beverages	Group
Zambia	17,061	54,926	71,987	17,061	54,926	71,987

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

18 Intangible assets (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The growth rates do not exceed the long-term average growth rates for the respective businesses in which the CGU's operate.

In calculating the value in use for the alcoholic and non alcoholic CGU's the group made the following assumptions:

- a weighted average annual growth rate of 3% (2009: 3%) to extrapolate cash flows beyond the budget period
- a pre-tax discount rate of 11.99% (2009: 18.78%) to the cash flow projections
- a budgeted gross margin of 35% (2009: 35%).

Management determined budgeted gross margins based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

19 Inventories	**2010**	**2009**	**2010**	**2009**
	Group		**Company**	
Raw materials	99,200	77,750	66,029	44,802
Work in progress	6,115	5,186	3,627	3,654
Finished goods	37,033	29,051	20,873	14,481
General stores and consumables	17,385	18,917	10,941	12,732
	159,733	130,904	101,470	75,669

The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to K208,658 million (2009: K176,423 million), and in the Company's 'cost of sales' amounted to K 80,425 million (2009: K 67,753 million).

20 Trade and other receivables

Trade receivables	24,274	17,813	9,437	4,676
Less: Provision for impairment losses	(2,425)	(2,175)	(1,636)	(1,386)
	21,849	15,638	7,801	3,290
Amount due from related companies (Note 24)	10,926	-	145,658	136,939
Prepayments and other receivables	16,264	15,923	16,284	15,544
	49,039	31,561	169,743	155,773

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

20 Trade and other receivables (continued)

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

	2010	2009	2010	2009
	Group		Company	
At start of year	2,175	1,886	1,386	1,022
Provision in the year	410	555	250	364
Written off during the year	(160)	(266)	-	-
At end of year	2,425	2,175	1,636	1,386

21 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

Cash and bank balances	107	20,439
Bank overdrafts (Note 14)	(97,245)	(143,200)
	(97,138)	(122,761)

22 Trade and other payables

	2010	2009	2010	2009
	Group		Company	
Trade payables	15,356	18,653	15,332	13,983
Amounts due to related companies (Note 24)	242,828	177,334	144,531	177,206
Other payables and accrued expenses	100,627	76,875	127,890	62,566
	358,811	272,862	287,753	253,755

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

23 Cash generated from operations

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

	2010	2009
Profit before income tax	3,820	73,476
Adjustments for:		
Interest income (Note 6)	(749)	(290)
Profit on disposal of investment property (Note 6)	(9,105)	-
Profit/ (loss) on sale of property, plant and equipment (Note 6)	(211)	348
Interest expense (Note 9)	42,987	15,668
Depreciation property, plant and equipment (Note 16)	70,393	30,138
Amortisation of intangible assets (Note 18)	174	-
Depreciation on investment property	-	8
Changes in working capital	-	-
– trade and other receivables	(17,478)	12,455
– inventories	(28,829)	(62,874)
– trade and other payables	85,949	159,857
Cash generated from operations	146,951	228,786

24 Related party transactions

The Company is controlled by SABMiller Africa and Asia BV incorporated in the Netherlands. The ultimate parent of the Group is SABMiller plc, incorporated in the England and Wales. There are other companies that are related to Zambian Breweries Plc through common shareholdings or common directorships.

i) Purchase of goods and services:	**2010**	**2009**
From fellow subsidiaries:		
- SABMiller Africa Asia (Pty)	293,659	143,735
- South African Breweries Limited	5,538	3,572
- Sabmark International - a division of SABMiller Finance BV - Royalties	26,258	20,063
- Bevman Services AG (Management fees)	16,956	13,204
- Swaziland Breweries Limited	6,519	3,037
- Kgalagadi Breweries Limited	20,095	14,146
	369,025	197,757

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

24 Related party transactions (continued)

	2010	2009
iii) Outstanding balances from purchase of goods/services		
Due to fellow subsidiaries:		
- SABMiller Africa Asia (Pty)	220,144	153,301
- South African Breweries Limited	962	700
- Sabmark International - a division of SABMiller Finance BV – Royalties	20,743	9,152
- Bevman Services AG (Management fees)	-	6,848
- Swaziland Breweries Limited	795	1,006
- Kgalagadi Breweries Limited	184	6,327
	242,828	177,334

Trade with related entities are carried out on commercial terms

	2010	2009
Due from fellow subsidiary:		
- Heinrich's Syndicate Limited (sale of investment property)	10,926	-

ii) Directors' remuneration and key management compensation

	2010	2009
Non-executive directors fees	158	140
Other emoluments (included in Key management compensation below)	1,258	1,233
Total remuneration of directors	1,416	1,373

	2010	2009
Key management compensation		
Salaries and short term emoluments	3,580	3,154
Retirement benefits cost	105	95
	3,685	3,249

(all amounts are in millions of Kwacha unless otherwise stated)

NOTES (continued)

25 Contingent liabilities

The Group had several pending legal proceedings at 31 March 2010. The directors having obtained appropriate legal advice are of the opinion that there will be no material losses arising from the pending legal proceedings.

26 Capital Commitments

	Group		Company	
	2010	**2009**	**2010**	**2009**
Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:				
Property , plant and equipment	2,345	62,805	2,345	56,775


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