AnnualReport
& Accounts 2008

ZB
ZAMBIAN
BREWERIES
GROUP

A subsidiary of SABMiller plc

Mission, Vision and Values

OUR MISSION

To be the most admired and respected company in Zambia as judged by our stakeholders

The investment of choice
The employer of choice
The partner of choice

OUR VISION

To own and nurture local and international brands which are the first choice of the consumer

OUR PEOPLE ARE OUR ENDURING ADVANTAGE

- The calibre and commitment of our people set us apart
- We value and encourage diversity
- We select and develop people for the long term
- Performance is what counts

ACCOUNTABILITY IS CLEAR AND PERSONAL

- We favour decentralised management and a practical maximum of local autonomy
- Goals and objectives are aligned and clearly articulated
- We prize both intellectual rigour and emotional engagement
- We are honest about performance
- We require and enable self-management

WORK AND WIN IN TEAMS

- We actively develop and share knowledge within the group
- We consciously balance local and group interests
- We foster trust and integrity in internal relations
- We encourage camaraderie and a sense of fun

WE UNDERSTAND AND RESPECT OUR CUSTOMERS AND CONSUMERS

- We are endlessly concerned with our customers' needs and perceptions
- We build lasting relationships, based on trust
- We aspire to offer the preferred choices of product and service
- We innovate and lead in a changing world

OUR REPUTATION IS INDIVISIBLE

- Our reputation relies on the actions and statements of every employee
- We build reputation for the long term
- We are fair and ethical in all our dealings
- We benefit the local communities in which we operate

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Commitment to Responsibility

We are committed to promoting responsible alcohol consumption and preventing abuse through all operating and trade practices. By far, most people who drink, do so moderately and without any damaging consequences. A minority misuse alcohol, which not only harms them but imposes negative external effects on society as a whole. There is no evidence connecting such misuse with the advertising of alcoholic drinks.

ADVERTISING

ADVERTISING WILL:

- Develop brand loyalty, or persuade people to change brands or type of alcoholic beverage,
- In print, television and cinema media, carry the message: “Not for sale to persons under the age of 18”, in a legible print size in the advertisement.

ADVERTISING WILL NOT:

- Feature or foster irresponsible drinking by referring, for example, to the quantity being consumed or shown.
- Be directed at persons under 18. No one associated in the advertisement with the act of drinking will be younger than 25. Persons under 18 will not be shown in advertisements except where it would be usual for them to appear, eg. in family scenes or backgrounds.
- Imply that drinking alcohol is essential to business and social success or acceptance, or that refusal is a sign of weakness. Nor will it imply any failing in those who do not accept a particular alcoholic drink.
- Portray nudity or any situation derogatory to the virtue of either sex, or suggest sexual indulgence or permissiveness, or that alcoholic drinks can contribute directly to sexual success or seduction.
- Induce people to prefer a drink because of its higher alcohol content or intoxicating effect. An advertisement may include factual information to guide consumers about alcoholic strength.
- Claim that alcohol has curative qualities, or offer it expressly as a stimulant, sedative or tranquiliser.
- Advertisements may refer to the refreshing attributes of an alcoholic drink, but will not imply that drinking it will improve performance in any way.
- Suggest consumption of liquor in circumstances generally regarded as inadvisable, improper or illegal, eg. before or during any operation requiring sobriety, skill or precision, such as driving, flying and other forms of transport, or sport requiring intense physical effort.
- Depict pregnant women.
- Depict alcohol in a context of aggressive or antisocial behaviour.
- Be transmitted in the commercial breaks immediately before, during or after children’s programmes on television or radio.
- Be placed in any medium aimed specifically at children.

PACKAGING

To assist promotion of the responsible use of alcoholic beverages, we will use:

- Packaging of the highest practical quality.
- Packaging that improves the convenience of storage, transport and serving.

WE WILL NOT:

- Use labels that tend to degrade liquor by giving it colloquial names such as dope, booze, grog and similar names.
- Use a statement of the alcoholic strength of a product as the principal subject of a label.
- Direct the packaging of liquor products at people under the age of 18.
- Convey any sexual innuendo on labels.

PROMOTIONS

- We will not link any brand or product through sponsorship to events and competitions directed primarily at persons under the age of 18. Events or activities that form part of corporate social responsibility are acceptable.
- We will exclude from all product launches or promotions, activities or any form of drinking competition that encourages increased, excessive or irresponsible consumption.
- We will encourage consumers who attend promotions to assume personal responsibility for their decision to drink or not to drink, and for the quantity they consume.
- We will not confine extended lunchtime or evening promotions to the consumption of alcoholic beverages alone, appropriate snacks or meals should be available.
- We will arrange all on-premise promotions in a manner approved by the owner of the outlet, and will take care to avoid serving alcoholic beverages to under-age consumers.
- We will arrange on-campus promotions in a manner approved by the university or college authorities, and will take care to avoid serving alcoholic beverages to under-age consumers.
- We will not run promotions that encourage increased consumption in a limited time. We may, however, use price in on-premise promotional activity, provided that this is not done in a limited time.
- We may conduct beer tastings as a promotional tool, but will limit participation to tasting and will not permit excessive consumption.

Valentine Chitalu
Chairman

Pearson Gowero
Managing Director

Financial Highlights

K million	2004	2005	2006	2007	2008
Group turnover	386,294	451,465	479,847	516,371	**629,742**
Operating profit	41,810	61,403	75,096	69,526	**97,809**
Profit before taxation	33,053	56,748	69,042	63,713	**89,298**
Profit after taxation	20,023	33,394	40,690	44,259	**60,196**
Total assets	254,255	305,644	354,983	381,401	**427,311**
Current liabilities	98,519	133,955	166,463	151,153	**173,146**
Shareholder’s interest	148,197	157,661	174,327	190,103	**217,503**

Chairman's Statement

Dear Shareholder,

For some years now, the Zambian economic indicators have been strong, particularly the rate of GDP growth which has consistently been in excess of 6%. Until recently however, there was a concern that these strong indicators were not translating into any sort of trickle down effect. For a Group such as ours, dealing in discretionary products, nothing drives growth better than additional cash finding its way into as many pockets as possible, and in the last year there have been signs that this is beginning to happen.

The Group experienced strong underlying demand for most of its products, to the extent that it was not always able to meet that demand. To find ourselves short of returnable glass bottles during a period of growth was unfortunate. It yet again demonstrates how vulnerable Zambia can be in times of shortages, by virtue of being a relatively small player in a region dominated by South Africa.

It is incumbent upon management therefore, to be more meticulous and careful in their planning, forecasting and budgeting, than their counterparts in neighbouring countries in order to counteract the potential threat of being left at the end of the queue. I am particularly pleased therefore, to note that resources continue to be dedicated to bolstering the Group's planning capabilities, and to investing ahead of time in mission critical commodities such as glass and malt.

I am also pleased to note that management intend embarking on an exercise to engage Zambia Revenue Authority and the Ministry of Finance on the topic of excise duty. There is no doubt that Zambia's excise legislation is long overdue for an overhaul in order to correct obvious anomalies, particularly when compared with neighbouring countries.

The Group's ability to grow profit after tax by more than 36% on volume growth of less than 3%, is a clear sign of management's ability to respond quickly and appropriately to whatever difficulties are thrown at them.

The growth in profits, together with strong control over the capital investment programme, cash flows and borrowings, all combined to allow a 70% dividend policy to continue. Thus the total dividend recommended for the year is K115.76 per share, compared to last year's of K85.10 per share. An interim dividend of K36.00 per share was declared earlier in the year leaving a final dividend of K79.76 per share to be paid by way of a final dividend.

As in previous years, I want to express my gratitude for the efforts of the Directors, senior management and employees of the Group.

Valentine Chitalu

Chairman

Left: Staff manning control unit on the newly commissioned high-tech PET line in Lusaka.
Below : Loaded and ready to go... part of the newly aquired distribution fleet ready for deliveries.

Above: The two litre Coca-Cola pack coming off the new PET line.

The distribution fleet has been upgraded with striking custom-made branded tarpaulins, improving the visibility of Zambian Breweries brands across the nation.

Managing Director's Report

It gives me great pleasure to be addressing you, our stakeholders, in this Managing Director's report for the Zambian Breweries Group. This was a challenging year in many respects, for reasons which I will explain later in this report, but I am very proud that the Group has been able to report such an impressive set of results.

ECONOMY

This was yet another year of economic growth and stability for Zambia; single digit inflation for most of the year, 91 day Treasury Bill interest rates which fluctuated within a narrow band of approximately 10.5% - 12.5%, and an exchange rate which finished the year some 12% stronger than it started. GDP growth was again in the region of 6% and, more importantly from the Group's point of view, there are some early signs that this growth is beginning to trickle down to the man on the street. The dark cloud on the horizon is the sudden and sharp increase in agricultural commodity prices which occurred in the final quarter of the year and which of course, is a global phenomenon and not restricted to Zambia.

PERFORMANCE

Sales volumes - clear beer

In February 2007, excise rates on malt based clear beers were raised from 70% to 75%. The Group was forced to increase consumer prices which in turn, had the immediate effect of suppressing demand for all brands. Within the Southern African region, Zambia already had the highest rate of excise (the next highest rate being 40% in Mozambique) and the increase to 75% was not expected.

The combined effect of a price increase and a shortage of returnable glass bottles (RGBs), meant that sales volumes in the year under review, grew by only 2.7% over prior year. In an economy that is regularly and reliably growing by 6+%, this level of sales volume growth of less than 3% can only be considered as disappointing. We believe that the last increase in excise was possibly counter-productive. It is our conviction that a lower rate of excise would result in volume and profit growth for the Group, increased revenues for the fiscus and a lower price for the consumer. We have registered our disquiet about this level of taxation with the relevant authorities and believe that a win-win position can be achieved.

One negative result of the high excise is the proliferation of imported beer which is sold in most outlets at prices that are extremely competitive with locally produced beer. We doubt that this was the deliberate intention of the authorities.

Sales volumes - sparkling beverages

After holding prices for nearly 3 years, inflationary pressures forced the Group to increase the price of products sold in 300ml RGBs by 13% in May 2007. Prior to implementing this increase, the Group had commissioned some comprehensive market research on price elasticity and was confident that this price increase would be comfortably absorbed by the consumer with very little volume decline. Sales volumes grew by 2.1% over prior year.

Managing Director's Report (continued)

There is little doubt that this growth could have been stronger still, had it not been for both an acute shortage of RGBs in the Southern African region, and the Group being consistently under-supplied with product packaged in 500ml PET bottles, whose production was outsourced. In order to avoid a repeat of these issues, the Group placed large orders for new bottles on glass manufacturers outside of the region, and also commissioned its own PET packaging line in March 2008 at a cost of $6.5m.

Operating Performance

The combination of volume growth, and price increases implemented at the start of the year, had a material effect on the Group's revenue, but on top of that, the sales mix was weighted towards the higher priced products with the end result that net turnover (i.e. after adjusting for excise and VAT) increased by a very respectable 20.5% over prior year.

Throughout the year, oil prices put strong upward pressure on both fuel prices and freight rates, which account for approximately 10% of the Group's cost base. Agricultural commodity prices also came under severe pressure towards the end of the year, not just in Zambia, but worldwide. Mitigating against these effects however, were the strong Kwacha and the even stronger cost controls put in place following last year's discovery of a purchasing fraud. With the end result that total costs, both variable and non-variable increased by a little more than 16% over prior year.

A significant influence on the results was the profit made on the sale of shares that the Group owned in itself. The shares came into the possession of the Group unintentionally some years ago, and in view of the fact that Zambian law precludes a company from owning shares in itself, the Group took the decision to dispose of them.

Thus, the net result of all of the above influences was that operating profit grew by an impressive 40.6% over prior year. It is true that last year's results were adversely influenced by a non-recurring Whisky Black excise charge of K6.6bn, and that this year's results were favourably influenced by a non-recurring profit on sale of shares. Even after adjusting for these non-recurring items, profit before interest and tax still grew by more than 25%.

The Group had a very extensive capital expenditure programme but the strong cash generative performance, together with good treasury management, allowed interest charges to decrease by nearly 7%. The tax charge for the year, expressed as a percentage of profit before tax, is slightly below Zambia's rate of 35%.

After taking into account capital investment requirements, targeted borrowing levels and expected earnings over the following year, the Group is able to yet again declare a final dividend equivalent to 70% of profit after tax.

TECHNICAL

The Group is in the middle of an extensive capital upgrade programme the end result of which, in three years time, will be world class manufacturing capabilities for both beer and sparkling beverages, in both Lusaka and the Copperbelt. In addition, the Group will have replaced its entire populations of crates and bottles and upgraded the capability and appearance of its distribution fleet. This programme will have a total cost of approximately $140m, of which $13.4m was spent in the year under review.

The flagship investment during the year was a brand new, state-of-the-art, PET bottle packaging line the official opening of which in January 2008, was presided over by Honourable Dora Siliya, the then Deputy Minister of Commerce Trade and Industry.

SUSTAINABLE DEVELOPMENT

The Group was an active and willing participant in an initiative launched during the year, to deal with the ever-increasing problem of disposable packaging. Fortunately the vast majority of the Group's sales find their way to the consumer in returnable glass bottles, the only disposable portion of which is a crown bottle top. Moreover, the one-way packaging used for beer is a glass bottle and glass is one of the few packaging materials used today, which is 100% recyclable.

Nevertheless, an increasing proportion of the packaging material consumed by the Group, consists of plastic in one form or another, and we recognize that it is best to tackle the problem now, whilst it is still in its infancy.

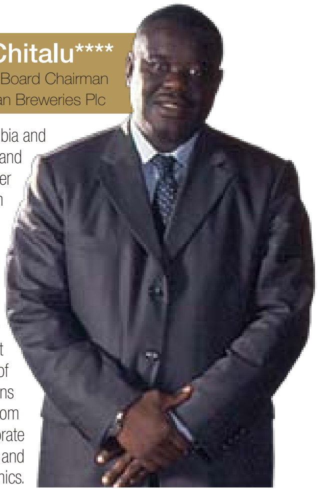
OUTLOOK

There is every reason to believe that Zambia's economic growth and development will continue to translate into underlying growth for most fast moving consumer goods such as ours. It is our intention to take advantage of that growth, and to further stimulate the market with new product introductions, new packaging, innovative marketing, efficient delivery and caring customer service. The Group believes strongly in the potential of Zambia, hence the size of investment being made in the coming years, and is determined to take advantage of that potential for the benefit of all stakeholders.

Pearson Gowero

Managing Director

Board of Directors



Valentine Chitalu****
Board Chairman
Zambian Breweries Plc

Valentine (43) 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 (49) 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 (60) 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.

Roy Cornish*
Financial Director
Zambian Breweries Plc

Roy (52) joined SABMiller in 1995 as a Senior Financial Manager with the international division. Between 1996-2000 he was based in Budapest as the Financial Director of SABMiller's Hungarian breweries, which was followed by two years in Johannesburg in the Africa & Asia regional head office. Roy is a UK chartered accountant who has worked previously in Zambia and Nigeria.

Robin Goetzsche***
Operations Director, Central & West Africa
SABMiller Africa & Asia

Robin (47) joined SABMiller in 1987 in South Africa at SAB Ltd. and spent his initial years in various marketing and sales & distribution roles. before becoming a general manager in a number of operating regions. Prior to joining SABMiller Africa & Asia as Operations Director Central & West Africa in November 2006, he was Sales & Distribution director of SAB Ltd. for 5½ years.

Wesley John Tiedt***
Managing Director
National Breweries Plc

Wes (56) 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 30 years experience in opaque beer and related products.

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

Executive Management Committee

Pearson Gowero Managing Director
Roy Cornish Financial Director
David Bowa Marketing Director - Beer
Patrick Lead Sales and Marketing Director - Sparkling Beverages
Ian Mackintosh Technical Director
Nyangu Kayamba Human Resources Director
Anthony Grendon Operations Director
Stan Kasoka Plant Manager - Lusaka
Orwell Monga Plant Manager - Ndola
Rumbani Mwandira Plant Manager - Kitwe
Ezekiel Sekele Company Secretary/FinanceManager
Wendy Musonda Muche Corporate Affairs Manager
Mwansa Mutimushi Legal Counsel


Fanta
what's yo
200 ml
Schweppes
Tonic Water
Dry Lemon
Ginger Ale
Lemonade
Soda Water
THIRST HOLDS ME DOWN!
Freedom From Thirst
Sprite

ZAMBIAN BREWERIES GROUP 2008

A good corporate reputation is an extremely valuable asset to any company. It can, and does generate significant and sustainable competitive advantage in the market place that cannot easily be replicated by competitors. Reputation management is therefore an increasingly important component of our strategic agenda

The Zambian Breweries Group (ZBG) currently enjoys an excellent reputation as a progressive and responsible investor in the Zambian economy. As a Group, we value our reputation enormously and recognise that while it takes a long time to build a good reputation, it is possible to destroy all the good work very quickly with any ill conceived action which impacts negatively on the context within which we operate. This is why, as a business, we have elevated the profile of "reputation management" onto our strategic agenda and made it a key priority for the future.

SABMiller has identified 10 key areas of concern which could impact negatively on our corporate reputation globally as well as locally in Zambia. Our objective then, over the course of the last year, has been to proactively manage our risks in these ten areas of concern in order to protect our reputation and continue to command respect from our employees, shareholders, peers, the government, suppliers, local NGO's, retail customers and consumers of our well known brands. The following are some of the highlights of our work in these areas over the past year:

- **Social marketing campaign:** Business growth and superior shareholder returns alone are not sufficient to assure our reputation of being a good corporate citizen. During the year under review, around two hundred million Kwacha was spent on our social marketing campaign which focused on initiatives aimed at encouraging responsible consumption of alcohol. Campaigns highlighting the hazards of drinking and driving and underage drinking were run in both the electronic and print media during public holidays and festive seasons. This initiative was supported by in-house activities that included the roll out of the **Alcohol Manifesto** and the implementation of our **Code**

Contributing to a cleaner and healthier environment as a responsible corporate citizen, ZBG is a one of Zambia's biggest and most conscientious recyclers of waste. Chipped and broken bottle that had previously been collected, being gathered up in readiness for shipment to the relevant recycling company.

of Commercial Conduct which provides strict guidelines for the sales and marketing teams. Our employees continue to be counselled on these issues and all new employees are provided with the **Employee Alcohol Policy** as part of the induction process. We have also engaged actively with various interest groups under the banner of the Ministry of Health, and have prepared a draft policy on alcohol which is now under discussion at the highest level.

- **HIV/AIDS:** The strategy we have followed for employees is now considered by Government to be an example of best practice for other private and public sector organisations. The campaign has led to a substantial and measurable increase in employees' knowledge and understanding of HIV/AIDS and almost 80 per cent of all our employees have undertaken voluntary counselling and testing (VCT). We have also taken our learnings beyond the workplace and into the community. ZBG supported a mass VCT campaign in Kitwe last year in partnership with a local NGO and our own peer educators provided the counselling; Over 1, 000 residents from Mulenga compound became aware of their status through this extremely successful intervention. We also held a one day workshop on HIV/AIDS in Lusaka under the auspices of SABMiller and the Global Business Coalition on HIV/AIDS, TB and Malaria. This proved the perfect opportunity to share key learnings and was a big success. Both the private and public sector acknowledged that well managed and coordinated partnerships, can and will bring out desired results in the fight against HIV/AIDS.

- **Environmental Issues:** ZBG continues to work closely with the Environmental Council of Zambia to find solutions to the environmental challenges facing industry and the country at large. ZBG is currently engaged in the implementation of the ISO 14000 environmental management standard and is actively engaged in a number of broad based environmental initiatives

    - **Water:** According to estimates from the United Nations Environment Programme, two thirds of the world's population will be living in water–stressed countries within the next 5 years. Given that 95% of production of an average bottle of beer is water, it is absolutely vital that we improve our water usage efficiencies. A number of water saving initiatives introduced during the year have cumulatively resulted in water savings of as much as 30 %. This clearly lowers our cost of operations but also, and perhaps more importantly, improves our environmental profile significantly.

    - **Waste management:** The management of solid waste is an ongoing problem for industry across the world. At ZBG we are continuously seeking new and innovative ways of reducing the amount of waste produced by our operations. Regular audits at each stage of the production process help us identify ways to minimise waste, identify recycling opportunities and find better methods of managing waste disposal in a sustainable manner.

    - **Packaging materials:** ZBG is an industry leader in terms of recycling with over 90% of our packaging materials being reused or recycled. In addition, a new element of our environmental management programme has been the introduction of new lightweight packaging materials for soft drinks. Lightweighting of packaging materials has many benefits including reductions in the environmental impact of manufacturing these materials, in the energy cost of transport, and in the energy used in distribution of finished goods.

Sustainable Development Report (continued)

- **Other environmental issues:** Several other opportunities have been identified, such as cutting down on greenhouse gas emissions like carbon dioxide and we should begin to see the benefits of a decline in the average carbon dioxide emissions by volume for lager beer within the coming financial year.

- **Supply Chain:** It is clear that our influence as a business extends far beyond our factory gates. We interact with a wide range of stakeholders both upstream and downstream in our supply chain and encourage all of them to adopt the same set of values that we do. Good corporate citizenship, governance and respect for human rights are vital if our business is to be sustainable in the future. It is important for us to continue to encourage other industry players to adopt the same standards as we do. One of the most successful supply chain projects we have ever undertaken has been the small scale sorghum farming project with some 2,600 small scale farmers in 14 districts countrywide now participating in the programme to produce good quality sorghum for Eagle lager production. The value of this project cannot be overstated and it has helped a large number of subsistence farmers to greatly improve the quality of their lives. The launch of Eagle, an affordable subsistence beer has also seen a rise in Government excise duty revenues.

- **Transparency and Human Rights:** ZBG has not experienced any violations of freedom of association and collective bargaining since privatization. We stand proud that we do not engage in child labour nor discriminate against gender, ethnicity and disability. We equally pay a minimum wage that far exceeds the national legal minimum. Our salaries are paid timeously and so are our shareholder dividends and taxes to Government. Our contribution to the Zambian community continues to receive substantial support through various community projects. These projects include our adoption of a children’s ward in a hospital in Ndola, a donation of school desks within Lusaka and access to boreholes to drought prone Livingstone along with our continued support to various sporting disciplines.

All these initiatives are now an integral part of our business as we strive to be the most admired company in Zambia, not just by our financial performance, but by developing a sustainable business model.

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 March 2008, which disclose the state of affairs of 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

	2008 K'million	2007 K'million
Turnover	**629,742**	516,371
Profit for the year after tax	**60,196**	44,259

Dividend details are included in Note 10 and a review of the Group's operations and prospects, is included in the Managing Director's report.

NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the year amounted to K52,931 million (2007: K51,171 million) and the average number of full time equivalent employees (including contract employees) was as follows:

MONTH	NUMBER
April	1,093
May	1,084
June	1,040
July	1,091
August	1,091
September	1,091
October	1,263
November	1,188
December	1,211
January	1,261
February	1,118
March	1,097

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 totaling K1,500 million (2007: K1,428 million).

Directors' Report (continued)

EXPORTS

No goods were exported from Zambia during the year (2007: nil).

PROPERTY PLANT AND EQUIPMENT

The Group purchased property, plant and equipment amounting to K67,578 million (2007: K52,208 million) during the year.

In the opinion of the Directors, there was no significant difference between the carrying value of property and it's market value.

RESEARCH AND DEVELOPMENT

No research and development costs were incurred by the Group during the year (2007: nil).

DIRECTORS

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

Valentine Chitalu	-	Non-executive Chairman
George Sokota	-	Non-executive Director
Pearson Gowero	-	Managing Director
Robin Goetzsche	-	Non – executive Director
Roy Cornish	-	Financial Director
Wesley Tiedt	-	Non-executive Director

AUDITORS

The Group's 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

E Sekele

Company Secretary

Corporate Governance Statement

INTRODUCTION

Zambian Breweries Plc's Board, its Audit Committee and executive committee are committed to the provision of clear guidelines aimed at enhancing corporate governance, corporate responsibility and risk management in directing and controlling the business of the Group. The Board is charged with responsibility to the Group's shareholders for the oversight of governance.

LUSAKA STOCK EXCHANGE (LuSE) CORPORATE GOVERNANCE CODE COMPLIANCE

The Group complied with the provisions of the LuSE corporate governance code, except as follows:

CHARTERS An Audit Committee charter was proposed to and accepted by the Board on 8 March 2007, but a Board Charter has yet to be implemented

BOARD COMMITTEES The Board has not created a separate remuneration committee. Matters of remuneration for executive Directors are dealt with by non-executive Directors, whilst the remuneration of non-executive Directors is approved by shareholders at the Annual General Meeting.

THE BOARD

The Board consists of two executive Directors, and four non-executive Directors. Directors' biographies are set out on page 8. All non-executive Directors are independent of management.

Non-executive Directors may serve on a number of other Boards, provided they continue to effectively discharge their duties to the Group. Executive Directors are also permitted to take up outside Board appointments, subject to Board agreement.

The roles of Chairman and Managing Director are separate, with clearly defined roles and responsibilities.

All Directors are subject to retirement and re-election by shareholders every year.

BOARD MEETINGS AND ATTENDANCE

The Board met three times during the year. Directors' attendances at Board and Audit Committee meetings are set out in the table below. The Company Secretary acts as secretary to the Board and attends all meetings.

Corporate Governance Statement (continued)

DIRECTORS' ATTENDANCES

	Board Meetings		Audit Committee Meetings	
	Attended	Available	Attended	Available
Valentine Chitalu	2	3		
George Sokota	3	3	3	3
Pearson Gowero	3	3	3	3
Robin Goetzsche	3	3		
Roy Cornish	3	3		
Wesley Tiedt	3	3		

INFORMATION AND TRAINING

The Group is committed to the continuing development of all employees in order that they may build on their expertise.

THE AUDIT COMMITTEE

The Audit Committee is composed of three members, all of whom are independent of management. The Committee met three times during the year. The external auditors, the Managing Director and Finance Director were in attendance at each meeting by invitation.

INTERNAL & EXTERNAL AUDIT

A fully staffed internal audit function was in operation throughout the period under review. The Chief Internal Auditor has direct access to the Audit Committee chairman.

There were no non-audit services offered by the external auditors during the year under review.

RISK MANAGEMENT

The Group's risk management system is subject to regular review to ensure full compliance with the requirements of the LuSE corporate governance code.

Statement of Directors' Responsibilities For the year ended 31 March 2008

IThe Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and its subsidiaries (the Group) as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the 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 its profit or loss. 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 adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company and its subsidiaries will not remain going concerns for at least twelve months from the date of this statement

Signed on their behalf by:

Valentine Chitalu
Chairman
15 May 2008

Pearson Gowero
Managing Director
15 May 2008

Report of the Independent Auditor to the Members of Zambian Breweries Plc

We have audited the consolidated and company financial statements of Zambian Breweries Plc for the year ended 31 March 2008 set out on pages 19 to 39. These financial statements comprise the consolidated and company balance sheets at 31 March 2008, and the consolidated profit and loss account, consolidated and company statements of changes in equity and consolidated cash flow for the year then ended, and a summary of significant accounting policies and explanatory notes to the consolidated financial statements.

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 controls 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 independent 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 standards 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 Company'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 Company'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 consolidated financial statements give a true and fair view of the state of affairs at 31 March 2008 of the Company and its subsidiaries and of their profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Zambia Companies Act.

OTHER LEGAL REQUIREMENTS

The Zambia Companies Act requires that in carrying out our audit we consider whether the Company and its subsidiaries have kept the accounting records, other records and registers required by this Act.

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

PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS
Chartered Accountants
Lusaka

Richard Mazombwe
Partner
15 May 2008
Lusaka, Zambia

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2008	2007
Turnover		**629,742**	516,371
Excise Duty		**(179,226)**	(142,471)
Net Turnover		**450,516**	373,900
Cost of sales		**(232,731)**	(202,644)
Gross profit		**217,785**	171,256
Other income		**2,968**	1,418
Distribution costs		**(54,051)**	(48,042)
Administrative expenses		**(56,187)**	(44,801)
Other expenses		**(12,706)**	(10,305)
Operating profit	5,6	**97,809**	69,526
Net finance costs	7	**(8,511)**	(5,813)
Profit before income tax		**89,298**	63,713
Income tax expense	8	**(29,102)**	(19,454)
Profit for the year		**60,196**	44,259
Earnings per share for profit attributable to the equity holders of the Group			
- basic and diluted	9	**165.37**	121.59
Dividends:			
Interim dividends paid in the year	10	**36.00**	31.00
Proposed final dividend for the year	10	**79.76**	54.10
		115.76	85.10

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

CONSOLIDATED BALANCE SHEET

	Notes	2008	2007
Non-current assets			
Property, plant and equipment	13	**234,793**	197,518
Investment property	12	**228**	236
Intangible assets	11	**71,987**	71,987
		307,008	269,741
Current assets			
Inventories	15	**68,029**	58,859
Receivables and prepayments	16	**44,017**	34,042
Tax recoverable	8	**-**	13,788
Cash and cash equivalents	17	**8,257**	4,971
		120,303	111,660
Current liabilities			
Payables and accrued expenses	18	**113,006**	102,283
Tax payable	8	**13,226**	-
Borrowings	19	**46,914**	48,870
		173,146	151,153
Net current liabilities		**52,843**	39,493
Net assets		**254,165**	230,248
Equity			
Share capital	21	**364**	364
Share premium	21	**99,474**	99,474
Retained earnings		**117,665**	90,265
Total equity		**217,503**	190,103
Non-current liabilities			
Borrowings	19	**-**	2,267
Deferred income tax	20	**36,523**	37,548
Deferred lease income		**139**	330
Total non-current liabilities		**36,662**	40,145
Total equity and non-current liabilities		**254,165**	230,248

The financial statements on pages 19 to 39 were approved for issue by the Board of Directors on 15 May 2008 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	2008	2007
Non - current assets			
Property, plant and equipment	13	**124,779**	119,535
Investment in subsidiaries	14	**115,990**	115,990
		240,769	235,525
Current assets			
Inventories	15	**33,640**	31,179
Receivables and prepayments	16	**18,385**	19,537
Tax recoverable		**-**	2,449
Cash and cash equivalents	17	**4,703**	3,208
		56,728	56,373
Current liabilities			
Payables and accrued expenses	18	**93,156**	100,671
Tax payable		**9,314**	-
Borrowings	19	**44,132**	48,847
		146,602	149,518
Net current liabilities		**89,874**	93,145
Net assets		**150,895**	142,380
Equity			
Share capital	21	**364**	364
Share premium	21	**99,474**	99,474
Retained earnings		**30,305**	21,720
Total equity		**130,143**	121,558
Non-current liabilities			
Borrowings	19	**-**	2,267
Deferred income tax liability	20	**20,613**	18,225
Deferred lease income		**139**	330
Total non-current liabilities		**20,752**	20,822
Total equity and non-current liabilities		**150,895**	142,380

The financial statements on pages 19 to 39 were approved for issue by the Board of Directors on 15 May 2008 and signed on its behalf by:

Valentine Chitalu
Chairman

Pearson Gowero
Managing Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Retained earnings	Total equity
Year ended 31 March 2007					
At start of year		364	99,474	74,489	174,327
Profit for the year		-	-	44,259	44,259
		364	99,474	118,748	218,586
Dividends:	10				
- Final for 2006 paid		-	-	(17,199)	(17,199)
- Interim for 2007 paid		-	-	(11,284)	(11,284)
At end of year		364	99,474	90,265	190,103
Year ended 31 March 2008					
At start of year		364	99,474	90,265	190,103
Profit for the year		-	-	60,196	60,196
		364	99,474	150,461	250,299
Dividends:	10				
- Final for 2007 paid		-	-	(13,104)	(13,104)
- Interim for 2008 paid		-	-	(19,692)	(19,692)
At end of year		**364**	**99,474**	**117,665**	**217,503**

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

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Retained earnings	Total equity
Year ended 31 March 2007					
At start of year		364	99,474	17,757	117,595
Profit for the year		-	-	32,446	32,446
		364	99,474	50,203	150,041
Dividends:	10				
- Final for 2006 paid		-	-	(17,199)	(17,199)
- Interim for 2007 paid		-	-	(11,284)	(11,284)
At end of year		364	99,474	21,720	121,558
Year ended 31 March 2008					
At start of year		364	99,474	21,720	121,558
Profit for the year		-	-	41,381	41,381
		364	99,474	63,101	162,939
Dividends:	10				
- Final for 2007 paid		-	-	(13,104)	(13,104)
- Interim for 2008 paid				(19,692)	(19,692)
At end of year		**364**	**99,474**	**30,305**	**130,143**

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For The Year Ended 31 March 2008

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2008	2007
Operating activities			
- Cash generated from operations	22	**116,561**	119,184
- Interest received	7	**399**	287
- Interest paid	7	**(6,195)**	(6,651)
- Income tax paid	8	**(3,113)**	(14,060)
Net cash generated from operating activities		**107,652**	98,760
Investing activities			
- Purchase of property, plant and equipment	13	**(67,578)**	(52,208)
- Proceeds from disposal of property, plant and equipment		**422**	359
Net cash used in investing activities		**(67,156)**	(51,849)
Financing activities			
- Repayments on Saturnia loan		**(1,246)**	(1,728)
- Finance lease principal payments		**(3,636)**	(823)
- Dividends paid to shareholders		**(32,796)**	(28,483)
Net cash used in financing activities		**(37,678)**	(31,034)
Net increase in cash and cash equivalents		**2,818**	15,877
Movement in cash and cash equivalents			
At start of year	17	**(25,970)**	(41,847)
Increase		**2,818**	15,877
At end of year	17	**(23,152)**	(25,970)

NOTES

1. 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 compliance 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 management to exercise its judgement in the process of applying the Group'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.

b) Adoption of new and revised standards

In 2007 new and revised standards and interpretations became effective for the first time and have been adopted by the Group where relevant to its operations. The adoption of these new and revised standards and interpretations had no material effect on the Group's accounting policies or disclosures:

- *IAS 1 Amendment, Capital Disclosures.* The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital
- *IFRS 7, Financial Instruments: Disclosures.* IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

c) Standards, interpretations and amendments to published standards that are not yet effective

The Group has not early adopted the following amendment to an existing standard and new standard, and interpretations will be mandatory for the Group for accounting periods beginning on or after 1 January 2008:

- *IFRIC 11 – Group and Treasury Share Transactions -* from 1 January 2008
- *IFRIC 12 – Service Concession Arrangements* – from 1 January 2008
- *IFRS 8 – Operating Segments* – from 1 January 2009
- *IAS 23 – Borrowing Cost* – from 1 January 2009

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, with the exception of IAS 23.

NOTES (continued)

d) Consolidation (subsidiaries)

Subsidiaries are all entities over which the Group 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 Group. 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 group. 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 group'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

Inter-company transactions, balances and unrealised gains on transactions between group 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 Group.

e) Functional currency and translation of foreign currencies

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 Group's functional and presentation currency.

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.

f) Financial assets and liabilities

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs where applicable), and subsequently measured at amortised cost less provision for impairment. Financial assets are recognized when the Group has rights or other access to economic benefits and consist of trade and other receivables and cash and cash equivalents.

i) Trade and other receivables

Loans and receivables arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

ii) 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.

NOTES (continued)

iii) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the profit and loss account.

iv) Trade Payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. Trade payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be realised.

v) 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.

g) Revenue Recognition

Turnover represents the fair value of the consideration receivable for sales of products and services, and is stated net of Value Added Tax, rebates and discounts and after eliminating sales within the Group. Sales of products 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.

h) Property plant and equipment

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

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

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit ad loss account) and depreciation based on the asset's original cost, is transferred from the revaluation surplus to retained earnings.

NOTES (continued)

h) Property plant and equipment (continued)

Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts 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. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

i) Investment property

Buildings, or part of a building, and land held for long term rental yields and/or capital appreciation and not occupied by the Group are classified as investment property under non-current assets. Investment property is carried at cost less depreciation and any impairment losses.

j) Intangible assets (goodwill)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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 Group's investment in each country of operation by each reporting segment.

k) Inventories

Inventories are stated at the lower of cost and net realizable 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.

NOTES (continued)

l) Accounting for leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the profit and loss account over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

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

m) Employee benefits

The Group operates a defined contribution retirement benefit scheme for its employees. 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 and all its employees also contribute to the National Pension Scheme Authority which is also a defined contribution scheme.

n) 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. 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 provided in full, 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. Deferred income tax is determined using tax rates 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 recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

o) Dividends

Dividends payable to the Group's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

p) Share Capital

Ordinary shares are classified as equity

NOTES (continued)

2. Financial risk management

The Group's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks. The Group exercises oversight through the Board of Directors and delegation from the Board to various sub-committees, notably the Audit Committee, which are organised in line with Group risk management policy.

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

a) Market risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Group. The Group uses forward exchange contracts to hedge its currency risk. At any point in time, the Group may hedge a percentage of estimated foreign currency exposure in respect of forecast purchases over the following 12 months.The company manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using forward contracts, but has not designated any derivative instruments as hedging instruments.

At 31 March 2008, if the Kwacha had weakened/strengthened by 10% against the US dollar, with all other variables held constant, consolidated post tax profit for the year would have been K4,756 million higher/lower (2007: K1,532 million lower/higher), mainly as a result of US dollar denominated forward foreign exchange contracts.

At 31 March 2008, if the Kwacha had weakened/strengthened by 10% against the South African Rand, with all other variables held constant, consolidated post tax profit for the year would have been K1,019 million higher/lower (2007: K492 million lower/higher), mainly as a result of Rand denominated forward foreign exchange contracts.

b) Interest rate risk

The Group's practice until now has been to borrow against short term facilities, denominated in the Group’s functional currency and given to the Group by internationally recognised banks, at rates of interest which vary each month in line with 91 day Treasury Bill rates. This practice reflects the fact that floating and short term rates are generally lower than fixed and medium term rates.

The Group does not have a policy of having to adhere to a minimum ratio of short term to longer term borrowings.

c) Price risk

The group is exposed to variability in the price of commodities used in the production or in the packaging of finished products, such as the price of malt, barley and sugar. These price risks are managed principally through multi year fixed price contracts with suppliers both locally and internationally.

(all amounts are in millions of Kwacha unless otherwise stated) 31

NOTES (continued)

d) 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 Group's Credit Control Manager who reports to the Finance Manager who, in turn, reports to the Financial Director. 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 internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits and the adherence to settlement terms are constantly monitored.

Collateral in the form of either bank guarantees or property title deeds is held for the vast majority of credit customers. As a rule, the Group tries to obtain collateral to a value of at least 50% of a customer's credit limit.

The Group's maximum exposure to credit risk at 31 March 2008 was as follows:

	2008	2007
Trade receivables	**18,406**	13,356
Other receivables	**10,490**	16,112
	28,896	29,468

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):

	2008	2007
Past due but not impaired:		
- by up to 30 days	**920**	1,241
- by more than 31 days	**1,679**	3,170
Total past due but not impaired	**2,599**	4,411
Impaired	**-**	-
	2,599	4,411

e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. he Group finances its operations through cash generated by the business and short termed bank credit facilities. The Group ensures that it is not overly reliant on any particular liquidity source or that maturities are overly concentrated. The table below analyses the group's financial liabilities, which will be settled on a net basis, 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.

	2008	2007
Forward foreign exchange contracts:		
Outflow in less than one year	**29,058**	-
Outflow in more than one year	**-**	-
Short term bank borrowings:		
Outflow in less than one year	**31,409**	30,941
Outflow in more than one year	-	-

NOTES (continued)

f) Capital risk

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 Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. During the year Group's strategy, which was unchanged from prior years, was to maintain a gearing ratio between 25% and 40%. The gearing ratio at 31 March 2008 was 24% (2007: 27%)

3. Segment Information

The activities of the group all fall within the business segment of beverage sales, consequently, no segmental information is provided.

4. Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether buildings meet the criteria to be classified as investment property
- whether assets are impaired

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.

Fair value estimation The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Property, plant and equipment Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in accounting policy (h) above.

Receivables Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables.

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.

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 income tax and deferred tax provisions in the period in which such determination is made

(all amounts are in millions of Kwacha unless otherwise stated) 33

NOTES (continued)

5. Operating profit

	2008	2007
The following items have been charged/(credited) in arriving at the Group's operating profit:		
Depreciation on property, plant and equipment (note 13)	**29,993**	19,988
Investment property – rental income	**(526)**	(579)
Receivables – increase/(decrease) in impairment provision	**361**	(490)
Inventories expensed	**159,057**	137,717
Employee benefits expense (note 6)	**53,010**	50,592
Auditors' remuneration	**496**	409
Profit on disposal of property, plant and equipment	**112**	124
Profit on sale of shares	**2,187**	-

6. Employee benefits expense

	2008	2007
The following items are included within employee benefits expense:		
Wages and salaries	**49,675**	48,210
Retirement benefits costs:		
- Defined contribution scheme	**1,752**	1,721
- National Pension Scheme Authority	**1,504**	1,240
	52,931	51,171

7. Net finance costs

	2008	2007
Interest expense:		
- Bank borrowings	**4,756**	5,307
- Related party loans	**1,303**	1,218
- Finance leases	**136**	126
	6,195	6,651
Interest income	**(399)**	(287)
Net foreign exchange losses/(gains)	**2,715**	(551)
Net finance costs	**8,511**	5,813

8. Taxation

	2008	2007
Current year income tax charge	**31,010**	19,576
Current year deferred tax charge (note 20)	**2,944**	4,986
Prior year income tax over provision	**(883)**	(26,897)
Prior year deferred tax (under)/over provision (note 20)	**(3,969)**	21,789
Income tax expense	**29,102**	19,454

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:

	2008	2007
Profit before income tax	**89,298**	63,713
Tax calculated at domestic rates applicable to profits - 35% (2007 – 35%)	**31,254**	22,300
Tax effect of:		
- Over provision of current tax in prior years	**(883)**	(26,897)
- (Over)/Under provision of deferred tax in prior years	**(3,969)**	21,789
- Expenses not deductible for tax purposes	**2,700**	2,262
Income tax expense	**29,102**	19,454

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

NOTES (continued)

8. Taxation (continued)

	2008	2007
Current income tax movement in the balance sheet:		
- Balance brought forward	**(13,788)**	7,593
- Current year current tax charge	**31,010**	19,576
- Prior year current tax over provision	**(883)**	(26,897)
Paid during the year	**(3,113)**	(14,060)
Taxation payable/(recoverable)	**13,226**	(13,788)

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 the years ended 31 March 2003, 2004, 2005 and 2006. Quarterly tax payments for the years ended 31 March 2007 and 2008 were made on the due dates during those years.

9. Earnings per share

	2008	2007
Profit attributable to equity holders of the Group	**60,196**	44,259
Weighted average number of ordinary shares in issue (millions)	**364**	364
Basic earnings per share (K)	**165.37**	121.59

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 in issue during the year. There were no potentially dilutive shares outstanding at 31 March 2008 or 2007. Diluted earnings per share are therefore the same as basic earnings per share.

10. Dividends per share

At the annual general meeting to be held on 16 June 2008, a final dividend in respect of the year ended 31 March 2008 of K79.76 per share amounting to a total of 29,033 million is to be proposed. These financial statements do not reflect this dividend payable. During the year an interim dividend of K36.00 per share, amounting to a total of K13,104 million was paid. The total dividend for the year is therefore K115.76 per share (2007: K85.10), amounting to a total of K42,137 million (2007: K30,976 million). Payment of dividends is subject to withholding tax at the appropriate ruling rates.

11. Intangible assets (goodwill)

The adoption of IFRS 3, IAS 36 and IAS 38 resulted in a change in the accounting policy for goodwill. Until 31 March 2004, goodwill was being amortised over a period of no more than 20 years, and was being assessed for the need for impairment at each balance sheet date. The Group ceased the amortisation of goodwill with effect from 1 April 2004. To effect this change, the amount of K4,176 million, being the goodwill amortisation charge for 2005, has been added back to retained earnings in the year ended 31 March 2006.

12. Investment property

Investment property consists entirely of an industrial property in Malambo Road, Lusaka which is owned and was previously occupied by Zambia Bottlers Limited (ZBL). The property was vacated when ZBL moved its operations to Mungwi Road, Lusaka and was subsequently rented to a third party, hence its reclassification to investment property. In the opinion of the Directors, the fair value of the investment property is approximately K7.0 billion.

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

NOTES (continued)

13. Property, plant and equipment

GROUP	Buildings	Plant, containers, & vehicles	Capital work in progress	Total
Cost				
At 1 April 2006	24,342	226,468	22,329	273,139
Additions	17	12,762	39,429	52,208
Transfers	217	28,291	(28,508)	-
Adjustment to containers in customers hands	-	(16,530)	-	(16,530)
Disposals	-	(2,207)	-	(2,207)
At 31 March 2007	24,576	248,784	33,250	306,610
Additions	-	16,251	51,327	67,578
Transfers	2,391	32,724	(35,115)	-
Disposals	-	(1,023)	-	(1,023)
At 31 March 2008	**26,967**	**296,736**	**49,462**	**373,165**
Accumulated depreciation				
At 1 April 2006	2,841	88,235	-	91,076
Charge for the year	453	19,535	-	19,988
Disposals	-	(1,972)	-	(1,972)
At 31 March 2007	3,294	105,798	-	109,092
Charge for the year	482	29,511	-	29,993
Disposals	-	(713)	-	(713)
At 31 March 2008	**3,776**	**134,596**	**-**	**138,372**
Net Book Value				
At 31 March 2007	21,282	142,986	33,250	197,518
At 31 March 2008	**23,191**	**162,140**	**49,462**	**234,793**

COMPANY	Buildings	Plant, containers, & vehicles	Capital work in progress	Total
Cost				
At 1 April 2006	16,203	103,749	20,782	140,734
Additions	224	480	33,801	34,505
Transfers	-	23,723	(23,723)	-
Adjustment to containers in customers hands	-	(2,328)	-	(2,328)
Disposals	-	(1,702)	-	(1,702)
At 31 March 2007	16,427	123,922	30,860	171,209
Additions	-	5,708	16,084	21,792
Transfers	1,745	29,294	(31,039)	-
Disposals	-	(1,023)	-	(1,023)
At 31 March 2008	**18,172**	**157,901**	**15,905**	**191,978**
Accumulated depreciation				
At 1 April 2006	2,016	38,179	-	40,195
Charge for the year	407	12,058	-	12,465
Disposals	-	(986)	-	(986)
At 31 March 2007	2,423	49,251	-	51,674
Charge for the year	422	15,816	-	16,238
Disposals	-	(713)	-	(713)
At 31 March 2008	**2,845**	**64,354**	**-**	**67,199**
Net Book Value				
At 31 March 2007	14,004	74,671	30,860	119,535
At 31 March 2008	**15,327**	**93,547**	**15,905**	**124,779**

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

NOTES (continued)

13. Property, plant and equipment (continued)

In accordance with Section 193 of the Zambian Companies Act, 1994, the registers of land and buildings are available for inspection by members and their duly authorised agents at the registered offices of the Group.

14. Investment in subsidiaries

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

	Country of Incorporation	**% Interest held**	**2008 K'000**	2007 K'000
Zambia Bottlers Limited	Zambia	100	55,646	55,646
Copperbelt Bottling Limited	Zambia	100	39,169	39,169
Northern Breweries Limited	Zambia	100	21,175	21,175
			115,990	115,990

15. Inventories

	Group		**Company**	
	2008	2007	**2008**	2007
Raw materials	**45,060**	36,770	**19,508**	16,915
Work in progress	**2,279**	2,437	**1,509**	1,874
Finished goods	**5,680**	4,625	**2,640**	1,668
General stores and consumables	**15,010**	15,027	**9,983**	10,722
	68,029	58,859	**33,640**	31,179

16. Receivables and prepayments

	Group		**Company**	
	2008	2007	**2008**	2007
Trade receivables	**18,406**	13,356	**10,854**	6,261
Less: Provision for impairment losses	**(1,886)**	(1,525)	**(1,022)**	(660)
	16,520	11,831	**9,832**	5,601
Other receivables and prepayments	**27,497**	22,211	**8,553**	13,936
	44,017	34,042	**18,385**	19,537

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

At start of year	**(1,525)**	(2,015)	**(660)**	(857)
Provision in the year	**(361)**	490	**(362)**	197
At end of year	**(1,886)**	(1,525)	**(1,022)**	(660)

17. Cash and cash equivalents

	Group		**Company**	
	2008	2007	**2008**	2007
Cash at bank and in hand	**8,257**	4,971	4,703	3,208

The weighted average effective interest rate on short term bank deposits at the year end was 2% (2007: 2%). These deposits have an average maturity of 30 days

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

NOTES (continued)

17. Cash and cash equivalents (continued)

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

	Group	
	2008	2007
Cash and bank balances as above	**8,257**	4,971
Bank overdrafts (note 19)	**(31,409)**	(30,941)
	23,152	(25,970)

18. Payables and accrued expenses

	Group		Company	
	2008	2007	**2008**	2007
Trade payables	**9,691**	2,842	**5,886**	7,542
Amounts due to related companies (note 23)	**43,003**	45,665	**41,271**	57,033
Accrued expenses	**33,520**	15,450	**22,641**	23,579
Other payables	**23,944**	38,326	**20,510**	12,517
Revaluation of derivative financial instruments	**2,848**	-	**2,848**	-
	113,006	102,283	**93,156**	100,671

19. Borrowings

	Group		Company	
	2008	2007	**2008**	2007
The borrowings are made up as follows:				
Non-current:				
- Finance leases	**-**	2,267	**-**	2,267
Current:				
- Bank overdraft	**31,409**	30,941	**28,627**	30,918
- Saturnia Regna Pension Fund	**15,505**	16,751	**15,505**	16,751
- Finance leases	**-**	1,178		1,178
	46,914	48,870	**44,132**	48,847
Total borrowings	**46,914**	51,137	**44,132**	51,114

Weighted average effective interest rates at the year end were:

	%	%	%	%
– Bank overdrafts	**13**	11	**13**	11
– Saturnia Regna Pension Fund	**12**	10	**12**	10
– Finance leases	**-**	11	**-**	11

The Group has the following undrawn borrowing facilities:

Floating rate– expiring within one year	**44,590**	38,505

NOTES (continued)

20. Deferred income tax

	Group		Company	
	2008	2007	**2008**	2007
At start of year	**37,548**	10,773	**18,225**	3,821
Current year deferred tax charge (note 8)	**2,944**	4,986	**(900)**	14,404
Prior year deferred tax (over)/under provision	**(3,969)**	21,789	**3,288**	-
At end of year	**36,523**	37,548	**20,613**	18,225

The opening and closing deferred tax liabilities relate solely to property, plant and equipment

21. Share capital

	Shares ('000s)	Share capital	Share premium
Balance at 31 March 2008 and 2007	**364,000**	**364**	**99,474**

There are 400 million authorised ordinary shares each with a par value of K1.00 and all fully paid.

22. Cash generated from operations

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

	2008	2007
Profit before income tax	**89,298**	63,713
Adjustments for:		
- Interest income (note 7)	**(399)**	(287)
- Interest expense (note 7)	**6,195**	6,651
- Depreciation (note 13)	**29,993**	19,988
- Depreciation on investment property	**8**	8
- (Profit)/loss on sale of property, plant and equipment	**(112)**	(124)
- Adjustment to carrying value of containers	**-**	16,530
Changes in working capital		
– receivables and prepayments	**(9,975)**	1,662
– inventories	**(9,170)**	(13,469)
– payables and accrued expenses	**10,723**	24,512
Cash generated from operations	**116,561**	119,184

23. Related party transactions

The Group is controlled by SABMiller Africa and Asia BV (incorporated in the Netherlands) which owns 87.13% of the Group's shares. The ultimate parent of the Group is SABMiller plc, incorporated in the United Kingdom. The financial statements include transactions and balances, incurred in the normal course of business, with related parties as follows:

	2008	2007
Purchase of goods and services:		
- SABMiller Africa & Asia (Pty) Limited	**37,888**	46,913
- South African Breweries Plc	**1,089**	
- Sabmark International - a division of SABMiller Finance BV	**16,994**	13,250
- Bevman Services AG	**12,736**	5,397
- National Breweries-Zimbabwe	**-**	91
- National Breweries - Zambia	**37**	1,271
- Swaziland Breweries	**4,283**	-
- Kgalagadi Breweries	**12,900**	-
	85,927	66,922

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

NOTES (continued)

23. Related party transactions (continued)

	2008	2007
Directors' remuneration and key management compensation:		
- Non-executive Directors fees	**120**	250
- Key management remuneration	**1,046**	1,112
Total remuneration of Directors of the Company	**1,166**	1,362

	2008	2007
Outstanding balances arising from purchase of goods/services:		
- SABMiller Africa & Asia (Pty) Limited	**33,109**	26,167
- Sabmark International - a division of SABMiller Finance BV	**4,093**	3,033
- Bevman Services AG	**3,020**	2,465
- Kgalagadi Breweries Plc	**755**	-
- National Breweries – Zambia	**2,026**	14,000
	43,003	45,665

24. Contingent liabilities

The Group's had several pending legal proceedings at 31 March 2008. The Directors believe that there will be no material losses arising from the pending legal proceedings

25. Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Group		**Company**	
	2008	2007	**2008**	2007
Property, plant and equipment	**27,541**	12,139	**19,503**	10,442

26. Events after the balance sheet date

There were no material adjusting events which occurred after the balance sheet date and which are not already reflected in the financial statements. There were no material, non adjusting events occurring subsequent to the balance sheet.

27. General Information

Zambian Breweries Plc and its subsidiaries are incorporated in Zambia under the Zambia Companies Act as limited liability companies and are domiciled in Zambia. The address of the registered office of Zambian Breweries Plc is:

Plot Number 6438, Mungwi Road
Heavy Industrial Area
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Notes


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A subsidiary of SABMiller plc