



Building locally, winning globally

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Performance highlights

Delivering excellent financial performance

Group revenue ^a	Revenue ^b	EBITA ^c
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+7%

2011: US\$28,311m
2010: US\$26,350m

+8%

2011: US\$19,408m
2010: US\$18,020m

+15%

2011: US\$5,044m
2010: US\$4,381m

^a Group revenue includes the attributable share of associates' and joint ventures' revenue of US\$8,903 million (2010: US\$8,330 million).

^b Revenue excludes the attributable share of associates' and joint ventures' revenue.

^c Note 2 to the consolidated financial statements provides a reconciliation of operating profit to EBITA which is defined as operating profit before exceptional items and amortisation of intangible assets (excluding software) and includes the group's share of associates' and joint ventures' operating profit, on a similar basis. As described in the Chief Financial Officer's review, EBITA is used throughout this report.

Dividends per share ^d	Profit before tax	Adjusted EPS ^e
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+19%

2011: 81.0 US cents
2010: 68.0 US cents

+24%

2011: US\$3,626m
2010: US\$2,929m

+19%

2011: 191.5 US cents
2010: 161.1 US cents

^d 2011 final dividend is subject to shareholder approval at the annual general meeting.

^e A reconciliation of adjusted earnings to the statutory measure of profit attributable to equity shareholders is provided in note 8 to the consolidated financial statements.

Net debt ^f	Lager volumes	Water to lager ratio
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-16%

2011: US\$7,091m
2010: US\$8,398m

+2%

2011: 218m hectolitres
2010: 213m hectolitres

-3%

2011: 4.2 hl/hl
2010: 4.3 hl/hl

^f Net debt comprises gross debt (including borrowings, borrowings-related derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts). An analysis of net debt is provided in note 28c to the consolidated financial statements.

Further information

Go online for more details



This report covers the financial year ended 31 March 2011. It is also available on our website as a downloadable PDF www.sabmiller.com/annualreport

For more detailed information about SABMiller please refer to our website www.sabmiller.com/investors

Five minute read

Our business in brief

SABMiller is one of the world's leading brewers, with more than 200 beer brands and some 70,000 employees in over 75 countries. We are also one of the world's largest bottlers of Coca-Cola products.

Our strategic direction



We've grown through a culture of operational excellence, delivering high-quality products, innovation and sustainability.

Our success is built on a clear strategic direction and a shared commitment to the company's vision, mission and values.

Our vision:

- To be the most admired company in the global beer industry

Our mission:

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

Our values:

- Our people are our enduring advantage
- Accountability is clear and personal
- We work and win in teams
- We understand and respect our customers and consumers
- Our reputation is indivisible

Our strategic priorities:

- Creating a balanced and attractive global spread of businesses
- Developing strong, relevant brand portfolios that win in the local market
- Constantly raising the profitability of local businesses, sustainably
- Leveraging our skills and global scale

For more information on our strategic priorities and how we measure against them, see pages 18 and 19.

Our brands and business



We've become a global leader by excelling locally – nurturing strong, local brands and building brand portfolios that meet the needs of consumers in each of our markets.

The attention we give to building local businesses and local brand portfolios makes us, we believe, the most local of the global brewers.

Local brands

Beer is a local business in that beer brands are deeply rooted in local communities and often have their own rich histories and heritage. At SABMiller we respect and nurture these qualities and allow our businesses a high degree of autonomy in meeting local needs. We bring deep consumer insight to the building of brands in local markets.

Global brands

Our four global brands all have their own distinct characteristics – from the Italian style of Peroni Nastro Azzurro to the unique heritage of the world's first golden beer, the Czech-brewed Pilsner Urquell; from the Northern European provenance of Grolsch to the American urban cool of Miller Genuine Draft.

For more information on the performance of our brands, see pages 22 to 33.



Peroni Nastro Azzurro

An intensely crisp and refreshing lager with an unmistakable touch of Italian style, Peroni Nastro Azzurro is a premium lager brewed to the original recipe since 1963.

Origin: Italy
First brewed: 1963

www.peroniitaly.com

Our performance in 2011



Our strong financial performance in 2011 reflects contributions from all parts of the business and the benefits of a rigorous, sustained focus on the group's strategic priorities.

Our lager volumes were up by 2% with reported group revenue rising 7%, while EBITA margin increased to 17.8%.

Operational highlights

- Reported EBITA grew 15%, with organic, constant currency EBITA increasing 12%:
 - Latin America EBITA¹ grew by 11% due to pricing, lower raw material costs and fixed-cost productivity
 - Europe EBITA¹ grew by 4%, benefiting from lower costs despite reduced volumes
 - Disciplined revenue management, synergies and cost savings increased North America EBITA by 20%
 - Strong volume growth, firm pricing and capacity expansion drove Africa's EBITA¹ growth of 20%
 - Asia EBITA¹ increased by 33% with robust volume growth in China and India
 - South Africa: Beverages EBITA¹ grew 11% due to volume growth and pricing

For more information on our financial performance, see pages 36 to 42.

How we manage our business



Our vision to be the most admired company in the global beer industry requires us to demonstrate the highest standards of transparency, ethics and corporate governance.

Because our business is not separate from society but embedded within it, the success of SABMiller is inextricably linked to the well-being of the wider community.

Sustainable development

Sustainable development is fundamental to our business success. Everywhere we operate, we're working to build a strong local business while also supporting local economic development. Our clear, well-embedded approach to sustainable development brings tangible benefits both to our business and to the communities in which we work.

For more information on our approach to sustainable development, see pages 44 to 47.

Governance

In discharging its stewardship responsibilities, the SABMiller board is committed to the highest standards of corporate governance. Our directors provide the leadership, controls and strategic oversight to ensure we deliver value to all the company's shareholders.

For more information on our approach to governance, see pages 57 to 64.

Risk

The group's risk management system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system is regularly reviewed to ensure that business risk is managed in a consistent and sustained way, to deliver business opportunities.

For more information on our approach to risk, see pages 63 and 64.

¹ EBITA growth is shown on an organic, constant currency basis.

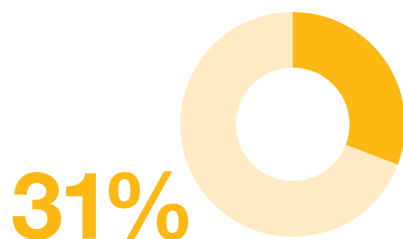
Group at a glance

Our operations around the world

We've created leading positions in both emerging and developed markets across the world. Our portfolio of businesses spans six regions which together brewed over 200 different brands and sold 218 million hectolitres of lager last year.

Latin America

Contribution to group EBITA¹ 2011



- Our primary brewing and beverage operations cover six countries across South and Central America (Colombia, Ecuador, El Salvador, Honduras, Panama and Peru).
- In each of these countries, we are the number one brewer by market share.
- At the end of 2010 we acquired the third largest brewer in Argentina. We produce and distribute the Warsteiner brand under a long-term licence agreement.
- We bottle soft drinks for The Coca-Cola Company in El Salvador and Honduras, and for Pepsico International in Panama.
- Regional office: Bogotá, Colombia.

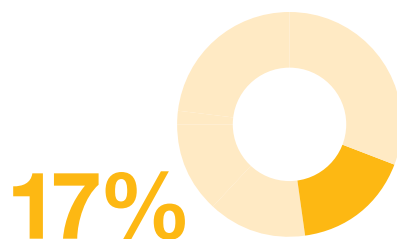
Further facts

Number of breweries ²	17
Number of bottling plants ²	15
Average number of employees ³	25,691

For further information see page 22

Europe

Contribution to group EBITA¹ 2011



- Our primary brewing operations cover 10 countries – the Czech Republic, Hungary, Italy, Poland, Romania, Russia, Slovakia, Spain (Canary Islands), the Netherlands and Ukraine.
- In the majority of these countries, we are the number one or two brewer by market share.
- We export significant volumes to a further eight European markets, of which the largest are the UK and Germany.
- Regional office: Zug, Switzerland.

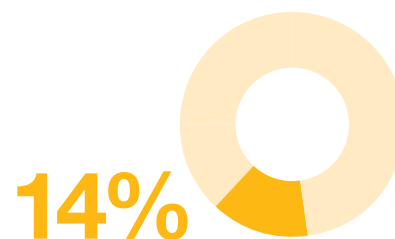
Further facts

Number of breweries ²	21
Average number of employees ³	14,239

For further information see page 24

North America

Contribution to group EBITA¹ 2011



- MillerCoors is a joint venture with Molson Coors Brewing Company, formed in 2008 by bringing together the US and Puerto Rican operations of both groups.
- Headquartered in Chicago, MillerCoors is the second largest brewer in the USA, with nearly 30% of the beer market.
- Our wholly owned Miller Brewing International business is based in Milwaukee, USA and exports our brands to Canada and Mexico and throughout the Americas.

Further facts

MillerCoors operates eight major breweries, and as at 31 March 2011, had 8,800 employees

For further information see page 26

**Miller Genuine Draft**

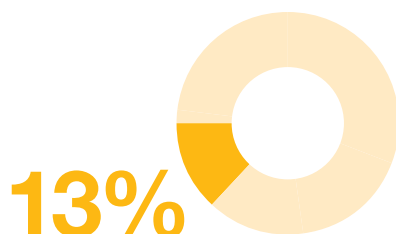
Brewed using a special cold-filtered process for smoothness and refreshment, Miller Genuine Draft is a glowing, golden lager with a clean, smooth taste. Only MGD delivers 'fresh from the tap' taste.

Origin: USA
First brewed: 1986

www.millertime.com

Africa

Contribution to group EBITA¹ 2011



- Our brewing and beverage operations in Africa cover 16 countries. A further 19 are covered through a strategic alliance with the Castel group and we also have associated undertakings in Kenya and Zimbabwe.
- In most of these countries we are the number one brewer by market share.
- We bottle soft drinks for The Coca-Cola Company in 20 of our African markets (in alliance with Castel in 13 of these markets).
- Regional office: Johannesburg, South Africa.

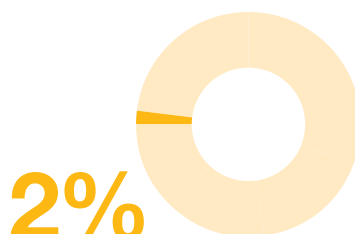
Further facts

Number of breweries ²	31
Number of bottling plants ²	22
Average number of employees ³	13,481

For further information see page 28

Asia

Contribution to group EBITA¹ 2011



- CR Snow, our partnership with China Resources Enterprise, Limited, is the largest brewer in China.
- We are the second largest brewer in India.
- We have an operation in Vietnam and a joint venture in Australia, and we export significant volumes to South Korea and Cambodia.
- Regional office: Hong Kong.

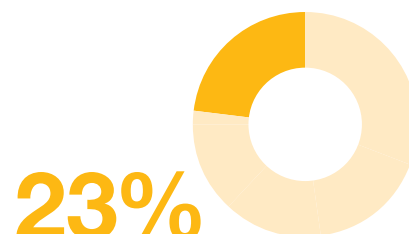
Further facts

Number of breweries ²	12
Average number of employees ³	3,358

For further information see page 30

South Africa

Contribution to group EBITA¹ 2011



- The South African Breweries Limited (SAB) is South Africa's leading producer and distributor of lager and soft drinks. It also exports brands for distribution across Namibia.
- Our soft drinks division is South Africa's leading producer of products for The Coca-Cola Company.
- We have hotel and gaming interests through Gold Reef Resorts Ltd, the largest hotel and gaming group in South Africa.
- Regional office: Johannesburg, South Africa.

Further facts

Number of breweries ²	7
Number of bottling plants ²	6
Average number of employees ³	11,897

For further information see page 32

¹ Excluding corporate costs

² The number of breweries and bottling plants relates to subsidiaries only (except MillerCoors)

³ See note 6 to the consolidated financial statements. The average number of employees relates to subsidiaries only (except MillerCoors)

Chairman's statement

A very strong performance for the year



Meyer Kahn
Chairman

While focusing relentlessly on our financial results, we're also pursuing our vision of being the most admired company in the global beer industry.

Dear Shareholder,

SABMiller's financial performance for the year was very strong, benefiting from a sustained focus on our strategic priorities right across our business. Brand equities and sales execution drove profitable volume growth and, while we maintained focus on cost management, we continued to increase investment behind our local and global brand portfolios.

Results and dividend

Total beverage volumes of 270 million hectolitres were 3% ahead of the prior year on an organic basis, with lager volumes up 2%. Volume growth was also accompanied by share gains in a number of markets. Group revenue grew by 7% (5% on an organic, constant currency basis after stripping out currency benefits), driven by a favourable brand mix and price increases in the current and prior year.

Reported earnings before interest, tax and amortisation (EBITA) grew by 15% (12% on an organic, constant currency basis). A pleasing feature was the 120 basis points (bps) growth in EBITA margin to 17.8%, benefiting from our revenue growth and a small reduction in raw material costs. Profit before tax was up 24%.

Adjusted earnings were 20% higher as a result of the increase in EBITA, lower finance costs and an effective tax rate of 28.2%. Adjusted earnings per share were up 19% to 191.5 US cents.

The group generated US\$2,488 million of free cash flow, an increase of US\$460 million over the prior year. At US\$66 million, cash inflows from working capital continued the positive trend of the previous year, albeit at a slower rate.

After the completion of a number of key capacity expansion projects, capital expenditure was lower than in the prior year at US\$1,315 million.

Net debt decreased by US\$1,307 million to US\$7,091 million, mainly as a result of the robust cash inflows. The balance sheet was further strengthened as the gearing ratio fell from 40.8% in the prior year to 31.2%.

The board has recommended a final dividend of 61.5 US cents per share to be paid to shareholders on 12 August 2011. This brings the total dividend for the year to 81 US cents, an increase of 13 cents (19%) over the prior year.

Operational highlights

While economic conditions improved across Latin America and Africa, consumer demand remained under pressure in Europe and the USA. Nevertheless, each of our businesses improved its financial performance and delivered higher EBITA than in the prior year.

Latin America produced EBITA growth of 17% (11% on an organic, constant currency basis). This was despite lager volumes remaining level with the prior year on an organic basis. EBITA growth resulted from selective price increases, mostly in the second half of the prior year, along with lower raw material costs and an ongoing focus on reducing fixed costs.

In **Europe**, EBITA increased by 2% (4% on a constant currency basis), despite lager volumes falling by 3% amid difficult economic and industry conditions including competitor discounting. The increase in profitability was driven by cost efficiencies and lower raw material costs.



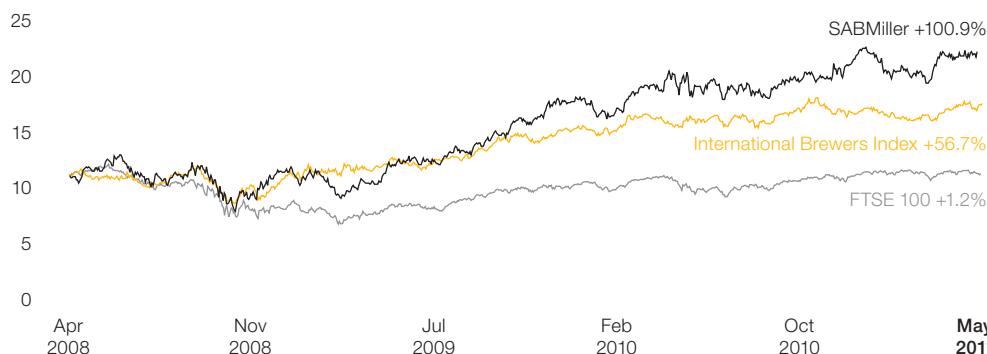
Castle Lager

First brewed in 1895 by founder brewer, Charles Glass, Castle Lager enjoys wide recognition as the beer that brings friends together. Castle Lager is brewed using the finest quality ingredients to provide an engaging taste.

Origin: South Africa
First brewed: 1895

www.castlelager.co.za

Share price performance from 1 April 2008 to 18 May 2011 (£ sterling)



Source: Factset and Datastream as at 18 May 2011

In **North America**, EBITA grew by 20% both for the segment and for MillerCoors. MillerCoors' sales volumes to wholesalers and retailers were both down 3%. Unemployment remained high among key beer consumer groups and the US market continued to be challenging. Nevertheless, EBITA benefited from revenue growth resulting from price increases and a favourable sales mix, complemented by the ongoing realisation of merger synergies and other cost savings.

Lager volumes in **Africa** grew by 13% on an organic basis and by 9% excluding Zimbabwe. EBITA was up by 15% (20% on an organic, constant currency basis), benefiting from higher volumes and prices, partially offset by greater investment in sales and marketing and the impact on commodity costs of weaker local currencies relative to the US dollar.

In **Asia**, lager volumes increased by 10% on an organic basis, driven by growth mainly in China but also in India. EBITA was up 31% on a reported basis (33% on an organic, constant currency basis).

In **South Africa**, lager volumes saw growth of 2%, benefiting from greater consumer confidence and the 2010 FIFA World Cup. EBITA grew by 21% on a reported basis (11% on a constant currency basis). Improvements in volumes and prices and lower raw material costs were partially offset by continued investment in sales and marketing.

Achieving our vision

While focusing relentlessly on improving our financial results, we know we're expected to do much more if we want to achieve our group vision of being the most admired company in the global beer industry. This is an ambitious and far-reaching objective and we carefully monitor our progress against those attributes for which we wish to be admired.

First, we want to be the best company in our sector for **long-term value growth**.

To succeed in this ambition, we need to increase our revenues at a faster rate than our competitors while maintaining or improving our margins. Here we have the advantage of a broad geographic footprint with significant exposure to emerging markets where beer volumes are growing strongly.

Our presence in these markets continues to expand. This year we made a move into the fast-growing premium segment of the beer market in Argentina with the purchase of the country's third largest brewer. Our Chinese associate, CR Snow, has acquired further breweries in Heilongjiang, Jiangsu and Henan. We are also delighted that Delta in Zimbabwe has been re-incorporated into our group accounts. After many years in which its performance was depressed by hyperinflation and economic stagnation, Delta is slowly returning to normality and lager sales volumes are returning to their previous highs.

As we develop our geographic portfolio, we're also expanding our production capacity to meet consumer demand. As well as acquiring assets, CR Snow completed new breweries in Shandong and Shanxi and began a number of projects to increase capacity at existing breweries. In Africa, too, we continue to invest where we see opportunities for good returns. We're currently constructing a greenfield brewery in Onitsha in Nigeria and doubling the size of the brewery at Juba in Southern Sudan. We're also in the process of commissioning a maltings plant in Uganda. The breweries commissioned in the previous year in Angola, Mozambique and Tanzania are all now in full production and performing well.

Along with leading positions in growing markets, we benefit from having over 200 local brands with strong consumer appeal and brand equity. These provide the components for assembling attractive, differentiated brand portfolios, tailored to the needs of local consumers and capable of winning in each of our markets.

270m hl

270 million hl – total beverage volumes sold during the year

17.8%

17.8% EBITA margin – up 120 basis points

Chairman's statement

Continued

With these advantages, we believe we're well placed for long-term value growth. The markets apparently agree, with SABMiller outperforming the FTSE 100 and the International Brewers Index over the last three years.

Secondly, we want to be admired for **local value creation**.

Despite the consolidation of our industry in the last 10 years, beer remains a distinctly local business, steeped in culture and tradition. Given the strong local roots of most beer brands, winning in the market requires deep local knowledge and consumer insight – skills we can justly claim as the most local of the global brewers.

It follows that our success is inextricably linked to that of our local partners – the many distributors, retailers and bar and tavern owners on whom our business depends. To win, we must create value not just for ourselves but for them as well.

This requires the skills, flexibility and innovation to meet their very different needs. In the case of distributors, for example, our owner-driver programmes in countries such as Tanzania, Zambia and South Africa provide valuable support to local businesses while ensuring efficient distribution to customers in remote areas. We must also provide superb service to our retailers, be they large, sophisticated supermarket chains in the USA or small 'mom and pop' stores in Latin America and Africa. One development we're particularly proud of in this respect is the recent Broad-Based Black Economic Empowerment (BBBEE) transaction in South Africa under which 29,542 local retailers are now shareholders in our business and able to participate directly in our success. The programme has also rewarded our local employees and established a charitable foundation to benefit the wider South African community.

Thirdly, we want to be admired for **the benefits we bring to local communities**.

We believe that the greatest contribution we can make to the economies in which we operate is to run successful, profitable businesses that create jobs, pay taxes and stimulate local enterprise. And we need to do so in a way that earns the trust of our stakeholders and reinforces our social and environmental credentials. Indeed the more successful we are commercially, the more we can contribute to society. Total taxes borne and collected by the group amounted to US\$8,400 million, an increase of US\$1,400 million on the prior year.

As part of our contribution, we continue to develop our supply chains so as to make maximum use of local raw materials and small-scale suppliers. Across Africa, India and Latin America, we're now working with over 28,000 smallholders, in many

cases assisting them to make the transition from subsistence to commercial farming with significant benefits for them and the local economy.

Within our supply chain, we're also helping large numbers of small distributors and retailers to establish and develop their own businesses. Outside the beer sector, our numerous projects to help young, would-be entrepreneurs in Africa and Latin America contribute further to the economic health of society.

While the vast majority of consumers enjoy our products responsibly, a small minority of irresponsible drinkers can cause problems and we're working with a range of partners to address this issue. We have strict internal systems to make sure we market our products responsibly. We also provide balanced information on the use and effects of alcohol, and we support numerous programmes to prevent alcohol abuse.

Our aspiration to be a positive force in society finds expression in our 10 sustainable development priorities. These are detailed on pages 44 to 47 of this report along with the progress we've made against each.

The fourth attribute for which we want to be admired is **the quality of our product**.

Brewers at heart, we believe our passion for our product forms an integral part of our company culture. For all our focus on efficiency, we refuse to compromise on the quality of our brands. Committed to using the finest ingredients and the best technologies and processes, we seek constantly to improve our beers and our brewing methods.

Our quality has been endorsed by further industry awards for beers from all our regions from bodies such as the Brewing Industry International Awards, the International Taste & Quality Institute, Monde Selection, the World Beer Cup and the Great American Beer Festival.

Finally, we want to be admired for the **calibre of our people**. This means hiring the very best, giving them clear accountabilities and helping them to fulfil their potential. Not being a 'command and control' organisation, we can only win by harnessing the ability of local people to address and solve local problems. To this end, we seek to instil an open, communicative culture in which good ideas can flourish. We also provide excellent training and career advancement opportunities with a strong focus on developing the leaders of tomorrow.

I believe we have great talent and would like to express my gratitude for the skills and dedication of all our people across the business in the past year.

29,542

29,542 retailer shareholders created by BBBEE transaction in South Africa

8,400m

US\$8,400 million – total taxes borne and collected by the group



Águila Light

A lighter version of Águila, the classic Colombian beer, Águila Light has become a new option for the consumer looking to experience a lighter taste.

Origin: Colombia
First brewed: 2002
www.aguilalight.com

Corporate governance

Being the most admired company in the sector naturally requires the highest standards of transparency, ethics and corporate governance. The directors are committed to maintaining these standards while also providing the leadership, controls and strategic oversight to ensure we deliver value to all the company's shareholders. Each director brings independence of character and judgement to the role. Board and committee meetings are characterised by robust, constructive debate based on high-quality reporting from management, and the board keeps its performance and core governance principles under regular review. I am most grateful to my board colleagues, not only for maintaining these principles but for their wise oversight of the business and the guidance and support they have given me during the year.

After extensive consultation, the Financial Reporting Council (FRC) issued a new UK Corporate Governance Code in May 2010. We welcome the new Code and endorse the emphasis it places on the roles and responsibilities of the board. We believe that good corporate governance depends principally on high-calibre individuals with deep experience of our company and industry, a clear understanding of their role and responsibilities and the tools necessary to discharge their responsibilities, rather than on prescriptive, box-ticking requirements about committee composition or length of service.

The board has continued to evaluate the balance of skills, knowledge and experience among its members and is committed to progressive renewal through orderly succession. Through the nomination committee, we have appropriate succession plans for our non-executive directors, executive directors and senior management with due regard to the need for diversity. At SABMiller we have one of the most internationally diverse boards in the FTSE 100 index and five of the last seven independent non-executive directors appointed by the board have been women.

Given that two of these directors, Maria Ramos and Liz Doherty, were subsequently appointed to senior roles in other companies and had to resign from the board of SABMiller plc, we were delighted to announce the appointment of two new non-executive directors, Lesley Knox and Helen Weir, in May 2011. Both bring a wealth of strategic, financial and international experience and we are extremely fortunate to have secured their services.

One third of the company's independent non-executive directors are women and the company is well placed as to the future balance of the board. Both of our new directors will be members of the audit committee and Lesley Knox will also be a member of the remuneration committee.

Also in May 2011, we announced the planned retirement of Malcolm Wyman as chief financial officer and the appointment of Jamie Wilson as his successor. Malcolm is a very special individual and has played a pivotal role in SABMiller's transformation from a small regional business into a leading global brewer and shareholders will have an opportunity to express their gratitude at this year's annual general meeting. We wish Malcolm and his wife a long and happy retirement.

Previously the Finance Director of our business in Europe, Jamie brings outstanding talent and considerable industry experience in both financial and general management to the role of chief financial officer. His appointment will further enhance the commercial focus of the finance function. The board unanimously recommends his election as a director following his appointment in succession to Malcolm.

In line with our plans made at the time of the merger, we have announced the appointment of Tom Long as the new chief executive officer of our North America joint venture, MillerCoors, with effect from 1 June 2011. Tom brings extensive industry experience, having served previously as chief executive officer and marketing officer of Miller Brewing Company.

Tom takes over from Leo Kiely, who has successfully guided the integration and start-up of MillerCoors. We extend our thanks to Leo for his enormous contribution and wish him well in his retirement.

Barry Smith, President SABMiller Latin America, retired in December 2010. Barry made an exceptional contribution to the group and left with our very best wishes.

Further details of the directors' approach to corporate governance can be found in the corporate governance report which appears on pages 57 to 64.

Outlook

While consumer demand is likely to continue growing in most developing markets, there are uncertainties in the outlook for inflation and the pace of recovery in Europe and North America. Pricing will be considered selectively, country by country, taking account of an expected moderate increase in our raw material input costs, the competitive context and our intention to achieve growth through affordability in some markets. In line with our established strategic priorities, we plan to drive growth by further strengthening and extending our brand portfolios and channel management capabilities while maintaining our focus on cost control and productivity.

Meyer Kahn
Chairman

Global beer market trends

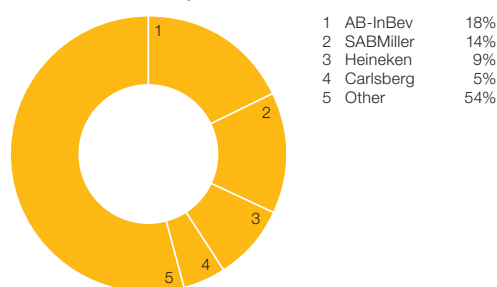
Growth driven by emerging markets

The global beer market¹

In the past decade, the global beer market has gone through a process of rapid change. In many emerging and developing markets, economic and societal developments and transformative improvements in the quality and appeal of beer brands have resulted in strong organic growth in the beer category. Developed markets have also undergone change as brewers have responded to constrained or declining beer consumption trends.

Industry consolidation has continued apace, and today the four largest brewers – Anheuser-Busch InBev, SABMiller, Heineken and Carlsberg – produce almost half of all industry volume and generate up to 70% of industry profits². Beer industry consolidation has continued during the last 12 months, with smaller transactions in Asia, Africa and Latin America.

Global beer sales by volume in 2010



Source: Canadean

Alcohol trends

Beer consumption continues to rise in Africa, Latin America and Asia, driven by growth in population and incomes and improvements in beer quality and appearance. In this context, many consumers are shifting from informal and unregulated forms of alcohol to aspirational, attractively-branded and safer commercial beers. The beer category is therefore growing at the expense of subsistence alcohol.

Commercially produced beer has also been claiming a greater share of the regulated commercial alcohol market in emerging countries. On a pure alcohol basis, its share rose from 34% in 2000 to 40% in 2010.

Beer category trends

Despite economic pressures, total global beer consumption recovered slightly in 2010, growing at over 2% after a downturn in 2009, caused by the global economic recession.

Over the past five years, the global beer category has maintained an average compound annual growth rate (CAGR) of 3.3%. In 2010, emerging markets grew at an average CAGR of 5.7% – the main growth coming from China, Africa and South America – while developed markets declined by 1.7%.

Within the emerging markets, China recorded volume growth of 6% and, despite inflationary pressures, an increase in volumes of premium lager. Africa saw healthy growth of 8% with increased volume in both the premium and more affordable price segments, driven by Angola, Nigeria, Tanzania, Ghana, Uganda and the DR Congo. Latin American beer volumes grew by 3% in 2010, with reductions due to a material tax increase in Colombia, more than offset by rapid growth in countries such as Peru. In Eastern Europe, beer volumes declined by almost 5% in the face of continuing unemployment and depressed consumer confidence affecting beer sales in bars and restaurants.

Beer consumption in developed markets continues to suffer from high unemployment, high fuel prices and constrained consumer spending. In the USA, where unemployment is particularly severe among key beer drinkers, beer volumes have fallen slightly although accompanied by consumer uptrading between industry price segments. Beer volumes continue to decrease in Western Europe as consumers switch to other beverages and reduce on-premise consumption.

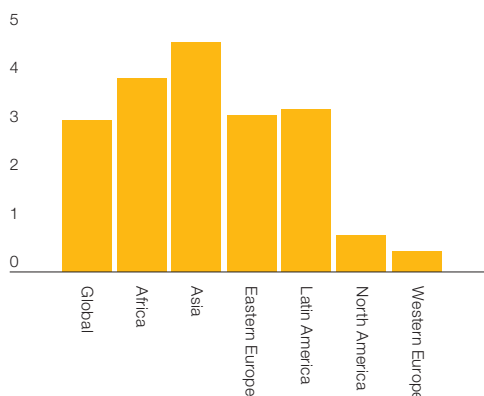
Outlook

In the 2011 calendar year, global beer market volume growth is forecast to be 2.5%, led by continuing strong performances in Asia, Africa and Latin America. China and Africa are expected to grow by almost 5% and Latin America by almost 3%.

Looking ahead to 2015, it is likely that growth will continue to be led by emerging markets. The 25 fastest-growing markets are forecast to deliver over 5% CAGR in beer volumes. China is expected to account for almost 40% of this growth with Vietnam, Brazil, Ukraine, Nigeria, India and Peru contributing significantly.

Beer growth trends by volume %

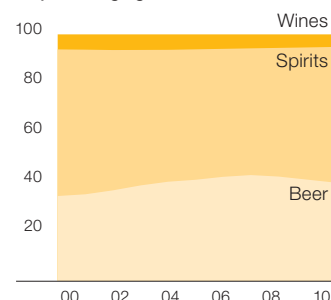
Forecast five-year compound annual growth rate (CAGR) by region – 2011-15



Source: Canadean

Alcohol category growth %

Beer share of alcohol trends in major emerging markets



Source: Canadean

¹ All data sourced from Canadean unless otherwise stated

² JPMorgan Cazenove report European Beverages, 21 July 2010

SABMiller's market positions

A balanced, growth-orientated footprint



Pilsen Callao

One of the clear, brilliant beers classified as pilsener, Pilsen Callao dates from 1863 and was the first beer to be brewed in Peru. This high-quality lager is characterised by its authentic, traditional flavour and perfect level of bitterness.

Origin: Peru
First brewed: 1863

www.pilsencallao.com.pe

Our focus on building local businesses and local brand portfolios makes us, we believe, the most local of the global brewers. It also positions us well for future growth, evidenced by the leading market positions and strong local brand portfolios that SABMiller has been able to establish in over 75 countries on six continents.

The right geographic spread

SABMiller is well represented in all 10 of the world's fastest growing countries, as identified by *The Economist* in January 2011 – directly in the case of India, Ethiopia, Mozambique, Tanzania, Vietnam, Ghana, Zambia and Nigeria, and through our partnership with CRE in China and strategic alliance with Castel in the DR Congo. We are also strong in the emerging and developing markets of Latin America and Central and Eastern Europe.

World's 10 fastest growing economies*

Annual average GDP growth %

China	9.5
India	8.2
Ethiopia	8.1
Mozambique	7.7
Tanzania	7.2
Vietnam	7.2
DR Congo	7.0
Ghana	7.0
Zambia	6.9
Nigeria	6.8

*Excluding countries with less than 10m population and Iraq and Afghanistan. IMF Forecast.

Source: The Economist, 8 January 2011

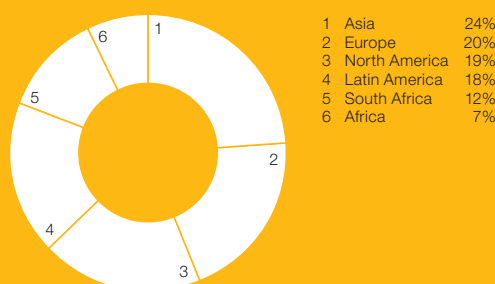
Between 2011 and 2015, real personal disposable incomes are forecast to rise at 4% a year in Colombia and Peru, 4.5% in Romania, 4.7% in South Africa and 8.4% in Angola and China – all countries in which we are invested. And where disposable incomes rise, per-capita consumption (PCC) of beer typically follows.

The right portfolio mix

While the move towards premiumisation continues, driven in part by urbanisation and the rise of the middle class in developing markets, beer remains a local beverage in terms of both production and consumer brand preference. Premium brands which cross a national border account for just 6% of the world's beer consumption (less than 4% in emerging markets) and this proportion continues to fall.

These trends have contributed to the rapid growth of locally brewed premium brands which now account for almost 60% of all premium beer sold. These brands offer the packaging, positioning and variety of premium beers but are sold at a price accessible to many more consumers than international, imported products. The resulting scale and higher profit margins make this an attractive industry segment – one in which SABMiller has developed particular strengths.

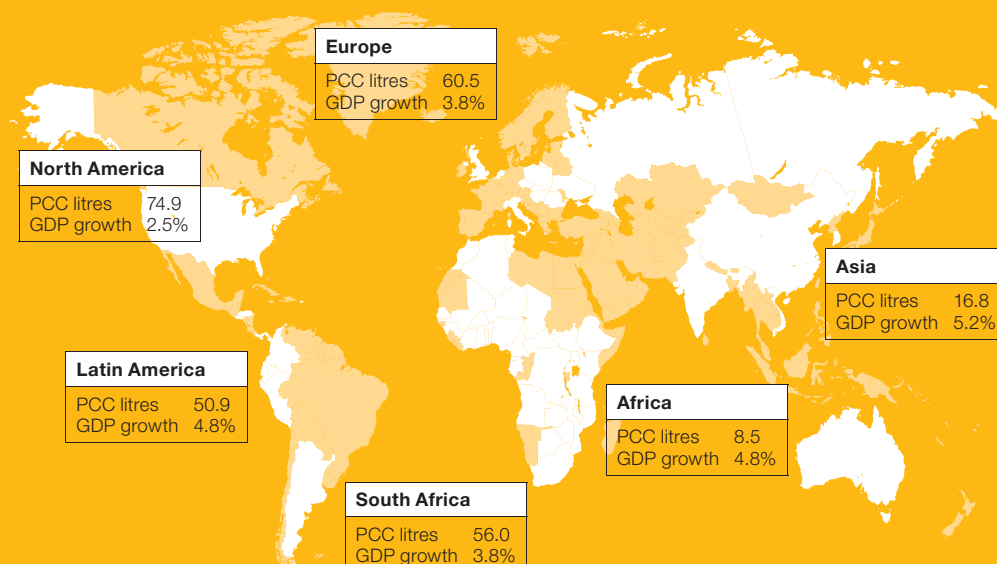
SABMiller lager volumes by region – 2011



Source: SABMiller

SABMiller's global spread¹

The map shows forecast GDP² growth in our regions and per-capita consumption³ figures for 2010.



Source: GDP: EIU (Europe is Central and Eastern Europe, Latin America is Andean Region)

¹ Includes associates and joint ventures

² GDP forecast: Forecast GDP growth 2010-15 (CAGR%) (Asia is 2010-14)

³ PCC litres: per-capita consumption in litres in 2010

Source: Canadean



Castle Lite

Castle Lite, now South Africa's largest premium beer, accelerated its growth during the year after a comprehensive programme to communicate its 'extra cold' credentials and the placing of specialised refrigeration equipment in selected outlets.

www.castlelite.co.za

Chief Executive's review

Continued focus on strategic priorities drives performance



Pilsner Urquell

The world's first golden beer from the Czech city of Plzeň, Pilsner Urquell (the name means 'Pilsner from the original source') has a distinctive, full-bodied taste that delights discerning beer drinkers around the world.

Origin: Czech Republic
First brewed: 1842

www.pilsner-urquell.com



Graham Mackay
Chief Executive

In my report last year, I predicted that the coming year would be a testing one with consumers in developed markets, in particular, still feeling the effects of global recession.

True to expectations, the past 12 months have produced a mixed trading environment in which improvements in most of our emerging markets have been offset by constraints on consumer demand in North America and Europe.

Against this challenging background, we nevertheless delivered very strong EBITA growth of 15% (12% on an organic, constant currency basis) with the reported EBITA margin rising to 17.8%. Adjusted earnings per share grew 19% and our free cash flow rose 23% to US\$2,488 million.

Our strategy

Our performance has been due in no small part to our continued focus on the group's four strategic priorities. These are detailed on pages 18 and 19 along with the key indicators by which we measure our performance and a record of our progress in each case.

While all four priorities remain relevant, the emphasis we attach to each one is changing.

Creating a balanced and attractive global spread of businesses

In recent years we have made considerable progress against this first priority. Our global portfolio now covers over 75 countries on six continents and 94% of our lager volume comes from countries in which we have the number one or number two market share position. Our portfolio also gives us high exposure to growth markets, with almost 80% of our group EBITA coming from developing or emerging economies.

While we will continue to consider further acquisitions where they add value, we are now focusing more on our second priority.

Developing strong, relevant brand portfolios that win in the local market

The growing emphasis on our organic growth reflects the changes in our industry as global consolidation slows and growth by acquisition becomes more limited.

These developments play to our strengths. Rather than depending on a few high-profile, global brands, we seek to win by tailoring our product portfolios to the needs and preferences of local consumers and providing a superior mix of brands, market by market. This business model, we believe, is the best route to long-term growth. It also reflects the nature of the brewing business in that beer remains an inherently local product. Our determination to build brands that resonate locally is a key part of our business model.

All this requires a rigorous focus on customers and consumers and a set of commercial capabilities that distinguish us from our competitors. This year we've made good progress against our second strategic priority in several important areas.

One way we have done so is by attracting new consumers to our brands, notably by **developing and expanding the beer category** so as to encourage consumers to switch to beer from other forms of alcohol on more occasions.

Chief Executive's review

Continued

Part of this approach is to make our beers affordable for more consumers. In Africa, for example, many consumers have historically found commercial beers outside their price range and have therefore been limited to informal home brews. In response, we're offering high-quality, affordable alternatives to home brews based on locally grown ingredients such as sorghum. The fact that these brands sometimes attract excise relief because they stimulate agriculture and so create local jobs helps further in bringing down the price. With the recent launch of our highly successful Eagle brand in Nigeria, we now offer beers made from local ingredients in almost all our African markets.

Another way to make beer more affordable is to offer it in smaller-sized packaging. In the hot coastal region of Colombia, the introduction of Águila in a 225 ml bottle has been a great success, both because each transaction costs less and because smaller bottles, bought more frequently, ensure a colder drink for the consumer. It's pleasing to note that 29% of Águila's incremental volume has come from outside the beer category. We recently launched a similar-sized bottle for Pilsener in Ecuador, again with strong results.

As part of attracting new consumers, we constantly research their tastes and preferences. Where we find needs that are not yet met by our existing brands, we can expand our portfolio to satisfy them. One product developed in this way is the new variant of Club Colombia, Roja, which has proved extremely successful. Also performing well is Cusqueña Red Lager, a Cusqueña variant launched in Peru. We continue to look for ways of using our consumer insights to develop other offerings.

Although we are first and foremost a beer business, we see opportunities in some markets to expand into malt beverages. This year our Pony Malta brand in Colombia benefited from wider availability and the launch of a new, smaller pack size – the Pony Mini. In Africa, the traditional maize-based Super Maheu product continues to grow and we're now making it available in new markets.

Another way we're developing our brand portfolios in order to win in the local market is by **strengthening our mainstream offerings** through distinctive positioning and integrated commercial programmes.

Mainstream brands make up the majority of our sales in most markets. As consumers become more sophisticated and demanding, we need constantly to polish, refresh and reposition our mainstream brands to keep them interesting and relevant.

Last year's FIFA World Cup in South Africa was an opportunity to unite South Africans behind our flagship local brand, Castle Lager. In a country still in the process of forging a national identity, our research showed that South Africans take common pride in their reputation for hospitality. Castle Lager therefore created a campaign to position the brand as the country's host beer. After a decade of gradual decline, Castle Lager has not only stabilised but is growing at a double-digit rate nearly a year after the tournament.

Other mainstream brands to have received attention are Tanzania's Kilimanjaro, recently repositioned to express pride in its origins, and Miller Lite in the USA which is gaining share in response to an integrated campaign on the theme of great taste – the message in this case supported by packaging innovations such as the vortex bottle with its spiral neck grooves designed to enhance taste.

Along with strengthening our mainstream brands, we've made good progress in **building a differentiated portfolio of premium brands**, both local and global. Despite the ongoing economic difficulties in some of our markets, our revenue from the premium segment in total grew by 7% on a constant currency basis during the year.

One particularly attractive opportunity is for local premium brands occupying a niche between mainstream and global premium beers and aimed at aspiring consumers looking for affordable luxury. The concept has proved very successful in Europe, Latin America and more recently Africa where we now offer local premium brands in all our markets.

A notable success in this segment has been the award-winning Laurentina Preta, now the biggest brand in Mozambique despite selling at a 15% premium to the equivalent mainstream brand. Tanzania's Ndovu Special Malt is also doing well.

Elsewhere, Castle Lite is now the leading beer in South Africa's competitive premium sector. The recent campaign to refresh the brand and create a new positioning based on its 'extra cold' credentials has helped to differentiate it from the rest of the field and sales continue to grow.

In the USA, the desire for differentiated beers has fuelled the growth of craft and speciality brands with clear identities and distinct local provenance. MillerCoors has responded by forming Tenth and Blake Beer Company to bring extra focus and expertise to the craft and import segment. The company's star performer, Blue Moon, grew 25% in the year, drawing much of its growth from women drinkers new to the beer category.

+21%

21% rise in sales of Peroni Nastro Azzurro in the UK

+7%

7% revenue growth in premium brands



Snow Brave the World

A bright, clean-drinking, well balanced beer, pale golden in colour with a white head and a lacy 'cling' on the glass, Brave the World exemplifies the proud, adventurous spirit of modern China.

Origin: China
First brewed: 2002

www.snowbeer.com.cn

At the top of the market we offer our four global brands. An example of success in the UK has been Peroni Nastro Azzurro. Distributed to selected outlets only, the brand has increased its sales volumes by 21% in the year while preserving its exclusivity and premium credentials.

In addition to expanding the beer category and strengthening our mainstream and premium portfolios, we're seeking to **optimise revenue and enhance our in-trade capabilities** so as to offer better service to our retail customers.

Sales channels can differ enormously in terms of scale and sophistication between developed and emerging markets and within individual markets. A key focus for all our businesses is to provide consistently excellent service adapted to the needs of each customer.

In the Czech Republic, for example, discussions with large supermarket chains no longer centre on short-term promotions but on how we can work together to manage the beer category more strategically and so build value for brewer and retailer alike. Joint business planning ensures that the interests of both parties are aligned. One result has been better promotions in support of higher-margin brands and packs.

Recently in North America, MillerCoors has developed a system called Building Execution Excellence at Retail (BEER) that allows the field sales team to measure and improve the quality of service it offers to retailers. In 2010, as a result, MillerCoors was category captain in 30% of key account chains – up from 24% in 2008. In addition, MillerCoors' revenue through these outlets is up almost 5%, a win not only for the business but also for the retailer.

In Africa and Latin America, many of our retail customers are small 'mom and pop' stores: in Colombia, for example, we service some 350,000 of these outlets. Here our support includes the renovation of sales outlets to create a more appealing drinking environment. To ensure a colder product and so improve volumes, we're also investing in more fridges. Last year in Colombia alone, we placed a further 19,000 fridges in the market.

While our main focus is on our second strategic priority, as detailed above, the remaining two priorities are vital as enablers to our commercial agenda.

Constantly raising the profitability of local businesses, sustainably

Our third priority is important in freeing up funds for investment in our market-facing activities. A good example this year has been in South Africa where the business has reduced its costs in order to put greater investment behind its core brands and the service it offers to retailers. The result has been stronger marketing backed by product and packaging innovations and a sharper focus on each of its routes to market. As a consequence, SAB has succeeded in stabilising its market share and lager volumes have returned to growth with an increase of 2%.

In Latin America, our focus on cost-efficiency has contributed to a margin increase of more than five percentage points over the last three years. This year in Colombia, the optimisation of our customer service model and route to market plus the closure of the Bogota brewery and the subsequent reorganisation of production have led to further EBITA and margin gains.

In April 2010, we changed our European manufacturing and supply chain organisation from a country to a regional model. This has allowed us to optimise production and secure further cost efficiencies. It has also freed up our general managers to focus fully on the commercial side of the business.

While cost reductions are important, we know that they cannot be at the expense of long-term sustainability. In this connection, our African businesses have for some time been developing local sources of raw materials as a way of encouraging local enterprise and ensuring more secure supply chains. Having historically imported over 80% of our brewing materials in Africa, we aim to reduce the figure to around 50% over the next three years. In partnership with local governments and NGOs, we have contracted over 28,000 local farmers to supply ingredients for our breweries and we expect the number to increase significantly in the coming year. In Zambia we have recently become self sufficient in barley, while in Uganda we are working towards self sufficiency and have built a new malting plant.

Another important aspect of sustainability is the group's challenging targets to reduce its water use and fossil fuel emissions. In the past year our water consumption per hectolitre of lager produced was 4.2 hectolitres, a 3% improvement on the previous 12 months. Over the same period, our fossil fuel emissions totalled 13.8kg CO₂e per hectolitre of lager produced, a year-on-year improvement of 3%.

Chief Executive's review

Continued

Leveraging our skills and global scale

Our fourth strategic priority gives further support to our commercial agenda by freeing local leaders to concentrate more fully on their customers and consumers and on winning in the local market.

Through our business capability programme, we're capitalising on our scale by standardising and outsourcing many of our processes and systems and centralising specialist functions such as procurement and information systems (IS). As well as easing the load on local teams, these projects will boost efficiency, raise standards, create a more connected global organisation and extract greater value from our skills and scale.

The past year has seen good progress. Trinity Procurement, our new global procurement organisation, is now operating from its headquarters in Switzerland and helping to secure more competitive prices on items such as brewing and packaging materials.

Our global IS project has developed an integrated platform across finance, procurement and human resources. In June 2010 the solution went live in South Africa and the corporate offices in the UK and we are now extending its scope to include manufacturing, supply-chain planning, inventory management and commercial processes. Sales and distribution systems were implemented in Peru and Colombia.

This year the net operating benefits from our business capability programme were ahead of expectations at US\$67 million, the strongest contributions coming from the global procurement programme and the introduction of a regional manufacturing organisation in Europe. Working capital benefits continued to exceed our original objective of US\$350 million by the 2013 financial year: by the end of this year, the figure was an accumulated improvement of US\$461 million. Costs were broadly in line with our expectations with exceptional charges of US\$296 million taken during the year. These charges mainly relate to the design, construction and implementation of major systems platforms – notably the sales and distribution systems and the new back-office platform.

Addressing risks

Operating, as we do, in over 75 countries, we naturally face a range of risks. Working to a well-developed risk management process (see pages 63 and 64), we continue to identify and monitor the principal risks facing the business and to manage them appropriately. Given that risks present opportunities as well as threats, we seek to maximise the former and minimise the latter in a way that generates the greatest return for our shareholders.

The recent directors' review reveals little significant change in the risks we face (see pages 20 and 21). We have, however, stepped up our actions to mitigate risk in some areas. The risk of changing consumer preferences is addressed in our efforts to build and enhance our commercial capabilities while the creation of the Trinity procurement organisation will help mitigate the volatile price of raw materials.

Looking ahead

Looking ahead, we will continue to develop the beer category, to build leading brand portfolios in local markets and to capitalise on our global scale. We see strong prospects for increasing our volumes, revenues and profitability over the medium to long term and our strategies for organic growth remain clear and consistent. We have the skills, resources and capabilities to continue making progress and look forward to another year of generating value for our shareholders and other stakeholders.

Graham Mackay

Chief Executive

67m

US\$67 million net operating benefits from our business capability programme

461m

US\$461 million accumulated working capital benefits from our business capability programme



Blue Moon

Blue Moon, along with seasonal brand extensions such as Pale Moon and Harvest Moon, is the Tenth and Blake Beer Company's best-selling brand and continued growing at a double-digit rate during the year.

www.bluemoonbrewingcompany.com

Overview

Business review

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Strategic priorities

SABMiller has four clear strategic priorities

We use a range of measures to monitor progress against our four strategic priorities and against our overall financial goal. While their relative importance changes as market conditions evolve, progress against all four priorities continues to drive our growth.

Financial goal

To deliver a higher return to our shareholders than our peer group over the longer term

Strategic priority

Creating a balanced and attractive global spread of businesses

The wide geographic spread of our operations allows us to benefit from growth in volumes and value in beer markets around the world. We continue to look for opportunities to strengthen our geographic footprint in both developing and developed markets through greenfield entries, alliances, mergers and acquisitions.

Developing strong, relevant brand portfolios that win in the local market

We seek to develop attractive brand portfolios that meet consumers' needs in each of our markets. This includes expanding our offerings to address new consumer segments and drinking occasions, strengthening our mainstream brands, building a differentiated portfolio of global and local premium brands and channelling the right brands to the right outlets at the right time and price.

Constantly raising the profitability of local businesses, sustainably

Our aim is to keep enhancing our operational performance through top-line growth and continuous improvement in costs and productivity. It's also important that we maintain and advance our reputation, protect our licence to trade and develop our businesses sustainably for the benefit of our stakeholders.

Leveraging our skills and global scale

Our global spread of operations presents increasing opportunities to gain value from the scale and skills of the group, not least by standardising our back-office functions around the world and regionally integrating our front-office systems. We are also benefiting from ongoing collaboration and the transfer of skills between our businesses.

Key performance indicators

Measuring our progress



Tyskie

A classic Polish lager, Tyskie combines nearly 400 years of brewing tradition with a contemporary image and high quality. It captures the special flavour of a truly international lager through a perfect balance of sweetness and bitterness.

Origin: Poland
First brewed: 1629

www.tyskie.pl

The key performance indicators (KPIs) are outlined below. Further discussion of our KPIs is contained within the Chief Executive's review, the Chief Financial Officer's review and the Sustainable Development review. For detailed definitions and an explanation of the changes since last year, see page 169.

What we measure	Why we measure	How we have performed		
		2011	2010	2009
Total Shareholder Return versus the median of our peer group over three-year periods	Monitor the value created for our shareholders over the longer term relative to alternative investments in the drinks industry	73%	52%	(1)%
Growth in adjusted earnings per share	Demonstrate the improvement in underlying earnings per share for our shareholders	19%	17%	(4)%
Free cash flow	Track cash generated to pay down debt, return to our shareholders and invest in acquisitions	US\$2,488m	US\$2,028m	US\$106m
What we measure	Why we measure	How we have performed		
The proportion of our total lager volume from markets in which we have No.1 or No.2 national market share positions	Gain an overall picture of the relative strength of our market positions	94%	94%	94%
The proportion of group EBITA from developing and emerging economies	Assess the balance of our earnings exposure between regions of the world economy with highest growth potential and more mature regions	79%	78%	77%
Organic growth in lager volumes	Track underlying growth of our core business	2%	0%	0%
Group revenue growth (organic, constant currency)	Assess the underlying rate of growth in sales value of our brand portfolios	5%	4%	9%
Revenue growth in premium brands (constant currency)	Monitor progress in building our portfolio of global and local premium brands	7%	7%	n/a ¹
EBITA growth (organic, constant currency)	Track our underlying operational profit growth	12%	6%	5%
EBITA margin	Monitor our underlying operational profitability	17.8%	16.6%	16.3%
Hectolitres of water used at our breweries per hectolitre of lager produced	Gauge our progress in reducing the amount of water used in our breweries	4.2 hl/hl	4.3 hl/hl	4.5 hl/hl
Fossil fuel emissions from energy use at our breweries per hectolitre of lager produced	Assess progress towards reducing fossil fuel emissions at our breweries	13.8 kg CO ₂ e/hl	14.2 kg CO ₂ e/hl	14.3 kg CO ₂ e/hl
Cumulative financial benefits from our business capability programme	Track the payback from our investment in the group business capability programme	US\$620m	US\$350m	n/a ²

¹ Not available in 2009

² Not applicable in 2009

Principal risks

Focused on managing our risks

The principal risks facing the group and considered by the board are detailed below. The group's well-developed risk management process is described in the corporate governance section while financial risks are discussed in the Chief Financial Officer's review and in note 23 to the consolidated financial statements.

Principal risk	Context	Specific risks we face
Industry consolidation	The global brewing industry is expected to continue to consolidate, albeit more slowly than in the past. There will continue to be opportunities to enter attractive growth markets, to realise synergy benefits from integration and to leverage our global scale.	- Failing to participate in value-adding transactions - Paying too much to acquire a business - Not implementing integration plans successfully
Change in consumer preferences	Consumer tastes and behaviours are constantly evolving and competition is increasing and becoming more sophisticated.	- Failing to ensure the strength and relevance of our brands - Failing to keep improving our commercial capabilities to deliver brand propositions that meet consumer, shopper and customer needs
Management capability	We believe that our people are our enduring advantage and therefore it is essential that we develop and maintain global management capability.	Failing to identify, develop and retain a sufficient pipeline of talented managers for the present and future needs of the group
Regulatory changes	With increasing debate over alcohol consumption in many markets, the alcohol industry is coming under increasing pressure from regulators, NGOs and tax authorities.	- Regulation places increasing restrictions on the availability and marketing of beer - Tax and excise changes cause pressure on pricing
Volatility in the price of raw materials	Prices of our key raw materials remain highly volatile and the level of volatility is increasing.	- Failing to manage price volatility - Not obtaining an adequate supply of brewing and packaging raw materials at competitive prices
Economic environment	The global economic recovery remains uneven. Uncertainty around consumer disposable income for beer/other beverages due to continuing high unemployment, rising food prices and increasing energy costs.	Our marketing, operating and financial responses may not be timely or adequate to respond to changing consumer demand
Delivering business transformation	The group is executing a major business capability programme that will simplify processes, reduce costs and allow local management teams to focus more closely on their markets.	- Failing to derive the expected benefits from the projects currently under way - Failing to contain programme costs or ensure execution is in line with planned timelines



Kozel

First brewed in Central Bohemia, Velkopopovický Kozel is a traditional lager with a well balanced smooth taste brewed with exactly the right ratio of caramel malt and Zatec hops. The craftsmanship of Kozel brew masters is enjoyed throughout the world.

Origin: Czech Republic
First brewed: 1870

www.kozel.cz

Possible impact	Mitigation	Associated strategic priorities
Lower growth rate, profitability and financial returns	- Potential transactions are subject to rigorous analysis. Only opportunities with potential to create value are pursued. - Proven integration processes, procedures and practices are applied to ensure delivery of expected returns. - Activities to deliver synergies, embed best operating practices and leverage scale are in place, monitored closely and continuously enhanced.	- Creating a balanced and attractive global spread of businesses - Constantly raising the profitability of local businesses, sustainably
Market positions come under pressure; lower top line growth rates and profitability	- Ongoing evaluation of our brand portfolios in every market to ensure that they target current and future opportunities for profitable growth. - Building our brand equities through innovation and compelling marketing programmes. - Continued enhancement of the SABMiller Marketing Way which sets out the best practice approach for our commercial processes. - Focus on monitoring and benchmarking commercial performance and developing the critical commercial capabilities that are required in order to win in local markets.	- Developing strong, relevant brand portfolios that win in the local market - Constantly raising the profitability of local businesses, sustainably - Leveraging our skills and global scale
Lower long-term profitable growth	- Further develop the group's leadership talent pipeline through our Global Talent Management model and strategic people resourcing. - Sustaining a strong culture of accountability, empowerment and personal development. - Standardisation of key processes and best practices across the group through the roll-out of the SABMiller Ways.	- Developing strong, relevant brand portfolios that win in the local market - Constantly raising the profitability of local businesses, sustainably - Leveraging our skills and global scale
Lower growth, lower profitability and reduced contribution to local communities in some countries	- Rigorous adherence to the principle of self-regulation backed by appropriate policies and management review. - Constructive engagement with government and all external stakeholders on alcohol-related issues. - Investment to enhance the economic and social impact of our businesses in local communities and working in partnership with local governments and NGOs to combat alcohol abuse.	- Creating a balanced and attractive global spread of businesses - Developing strong, relevant brand portfolios that win in the local market - Constantly raising the profitability of local businesses, sustainably
Lower profitability and occasional supply disruption	- Developing a strategic sourcing and procurement capability. - Further developing our understanding of raw material price risks and our risk management approach. - Contractual agreements with suppliers covering multiple time horizons, combined with an active hedging programme. - Programmes to support development of local sourcing for certain key commodities, such as barley, in Africa, India and Latin America.	- Constantly raising the profitability of local businesses, sustainably - Leveraging our skills and global scale
Lower growth rates and profitability	- Regular management forecasts and reviews that focus on the actions required to deliver the desired performance during the balance of the year. - Maintaining and extending our local industry leadership positions through a focus on local execution, appropriate investments in our brands and development of commercial capability. - Continued focus on improving productivity, reducing costs and effective capital and cash flow management.	- Creating a balanced and attractive global spread of businesses - Developing strong, relevant brand portfolios that win in the local market - Constantly raising the profitability of local businesses, sustainably
Increased programme costs, delays in benefit realisation, business disruption	- Senior leadership closely involved in monitoring progress and in making key decisions. - Structures in place to track both costs and benefits. - Rigorous programme management and governance processes with dedicated resources and clear accountability.	- Constantly raising the profitability of local businesses, sustainably - Leveraging our skills and global scale

Operations review – Latin America

Continuing margin improvement



Karl Lippert

President, SABMiller Latin America

Our Latin American business ended the year with EBITA growth of 17% (11% on an organic, constant currency basis). Lager volumes were level with the prior year on an organic basis, following growth of 1% in the fourth quarter. Volume performance was driven by the improving economic conditions across the region as well as our commercial efforts to overcome trade restrictions and the impact on consumer prices of higher product taxes imposed in a number of countries. Financial performance was driven by revenue growth from selective price increases, lower raw material input costs and the continued focus on fixed cost productivity. Marketing investment increased moderately and most of our operations have continued to achieve beer and total alcohol market share gains. EBITA margin reflected a 210 bps increase to 25.6%.

In **Colombia** lager volumes declined by 6% principally due to the emergency VAT increase levied on the beer category in February 2010, however volumes returned to growth after cycling the increase. Lager volumes were also impacted by exceptional rainfall with widespread flooding in a number of regions impacting consumer demand and our product distribution, as well as a number of 'dry days' around elections. Our share of the total alcohol market declined from 66% to 62% as the aguardiente sector benefited from the impact of the VAT increase for beer. Strategies to develop further our beer brand portfolio and to improve affordability of beer are in place, and more favourable market share trends emerged in the last quarter. We have enhanced our brand mix by growing our upper mainstream segment, with Águila Light up by over 50% and the successful introduction of Poker Ligera, a functional light beer, and Club Colombia Roja, a local premium brand, while seeding Miller Genuine Draft as a premium brand in high end outlets in a number of major cities. Redd's, which has been attracting a wider female following, grew by 6%. We continued to enhance the availability of cold beer and have placed a further 19,000 fridges in the market. Our soft drinks brand, Pony Malta, benefited from expansion of availability and the launch of a new small pack size, the Pony Mini. Fixed costs benefited from the restructuring projects undertaken in the prior year, including the closure of the Bogota brewery, as well as our ongoing cost productivity initiatives.

Our **Peru** operations performed strongly on the back of robust GDP growth of 8.8% and our ongoing brand portfolio upgrade, with lager volume growth of 10%. We have continued to grow beer market share by volume to 92% (prior year 90%) and achieved a higher value share. Our brand portfolio was enhanced through the repositioning of Pilsen Callao, which grew by 18%, as an upper mainstream brand at a higher price point. Miller Genuine Draft was launched, while our local premium brand Cusqueña gained further outlet penetration as a new seasonal variant was launched selling at a higher price point. Pilsen Trujillo continued to provide an effective defence against competitor economy brands and took volume from the informal alcohol segment. Our drive for profitable revenue growth included selective price increases during the year, as well as improved brand and pack mix. Further capital investments were made to meet capacity requirements, given the high level of growth, while production grid efficiency was enhanced with the closure of the Trujillo plant and the transfer of this capacity to the Motupe and Ate plants.

Ecuador achieved lager volume growth of 1% with improved product availability and increased sales coverage helping to offset government restrictions on alcohol sales, particularly a ban on Sunday alcohol trading introduced in June 2010. We have expanded our presence in consumption occasions such as festivals and events which now represent approximately 6% of volume mix, up from less than 2% a year ago. Premium brands performed well, led by our local premium brand Club, with volumes up 5%. The segment now reflects 10% of

Financial summary	2011	2010	%
Group revenue (including share of associates) (US\$m)	6,335	5,905	7
EBITA ¹ (US\$m)	1,620	1,386	17
EBITA margin (%)	25.6	23.5	
Sales volumes (hl 000)			
Lager	38,266	38,075	1
Lager (organic)	38,022	38,075	–
Soft drinks	15,809	15,895	(1)

¹ In 2011 before exceptional charges of US\$106 million being business capability programme costs (2010: US\$156 million being business capability programme costs of US\$97 million, restructuring and integration costs of US\$14 million and impairments of US\$45 million).

Strategic focus areas

- Further enhance the beer category's appeal across consumer segments and occasions
- Increase share of alcohol market, capitalising on well differentiated brand portfolios
- Optimise and extend distribution network and sales reach
- Pursue operational excellence and efficiency in our businesses, optimising resources and costs

Key local brands

Águila, Águila Light, Atlas, Balboa, Barena, Club, Club Colombia, Cristal, Cusqueña, Golden Light, Imperial, Pilsen, Pilsen Callao, Pilsen Trujillo, Pilsener, Poker, Salva Vida, Pony Malta

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our mix (up 100 bps) and included the launch of Miller Genuine Draft in key cities. The new 225ml Pilsener offering launched in January 2010 performed well and helped enhance sales mix. Direct order taking was increased by another 10% to 63% of total volumes while distributor consolidation continued, improving productivity. These actions helped lift our share of the alcohol market which ended at 46%, up from 44% in the prior year. A court ruling relating to a labour dispute pre-dating SABMiller's investment in Ecuador affected trading for two weeks in December 2010. The dispute is ongoing and not yet resolved and we are contesting the claims.

Our operations in **Honduras** delivered strong share gains in both lager and soft drinks while strengthening margins, despite a challenging social environment with increased violence and the highest rainfall in the last 30 years. Lager volumes ended the year up 1%, with double digit growth in the last quarter. Growth was assisted by efforts to make beer more accessible to low income consumers with entry packs in the traditional trade and price optimisation initiatives in the modern trade. Our alcohol market share improved from 49% to a historical high of 50%. Soft drinks saw a significant positive trend in the second half of the year, with our share of sparkling soft drinks increasing to 58%, up from 56% in the prior year. However volumes remained below the prior year due to price increases taken to recover an excise tax increase. Two new categories of soft drinks were also introduced with the launch of the Jugos Del Valle juice brand and Nestea.

In **Panama** total volumes increased by 2%, with lager volumes level with the prior year. Our share of the beer market declined marginally. Mix improvements were encouraging, boosted in the last quarter by the introduction of Miller Lite in the premium segment. Our portfolio of soft drinks grew by 3%, supported by a solid performance of Malta Vigor and increases in outlet coverage.

In **El Salvador** domestic lager volumes were in line with the prior year while soft drinks declined by 5%. Volumes suffered from challenging economic conditions, an increase in social unrest, poor weather and two increases in beer taxes. Soft drinks volumes were also impacted by our decision to cut back on non-core brands, and our share of sparkling soft drinks fell from 55% to 54%.

In November 2010, we entered **Argentina** with the acquisition of Cervecería Argentina S.A. Isenbeck (CASA Isenbeck), a brewery near Buenos Aires, which has Isenbeck and Warsteiner as its principal brands. This acquisition provides an interesting low cost entry point into the country as well as a platform for supply into neighbouring countries.

Operations review – Europe

Maintaining price discipline



Alan Clark
Managing Director, SABMiller Europe

In Europe lager volumes declined 3% as the beer market continued to reflect generally difficult economic conditions for consumers across the region. Widespread price weakness and competitor discounting are persistent features. The first half was particularly challenging, following excise increases in the final quarter of the prior year which were passed on to consumers through substantial price increases. The second half saw improved trends in nearly all markets in the region.

Reported revenue per hectolitre was level with the prior year, but on a constant currency basis it grew by 3%. This largely reflected prior year excise-related price increases, with selective inflationary price increases and mix benefits offset by discounting. Profitability was negatively impacted by volume declines in the first half of the year and ongoing downtrading. However, cost efficiencies driven in part by our regional manufacturing project, which is focused on consistent world class manufacturing and reduced commodity costs, resulted in EBITA growth of 2% (4% on a constant currency basis) and EBITA margin expansion of 80 bps. Marketing expenditure was ahead of the prior year on a constant currency basis and included 2010 FIFA World Cup activations. Reported results were impacted by the weakening of central and eastern European currencies against the US dollar compared to the prior year, although this predominantly occurred in the first half of the year.

In **Poland** lager volumes were down 4% as the beer market continued to suffer with a particularly challenging first half affected by widespread flooding and alcohol sales restrictions during a nine day national mourning period following the death of the president. Macro economic conditions and consequently consumer confidence improved through the year, although the beer market has been affected by a recent shift in consumer spending patterns towards durable white goods with lower growth in the food and beverage sectors. Competitor activity focused on price reductions and discounting has led to downtrading and growth in the economy segment. To defend against these trends we have driven growth of the economy brand Wojak which has doubled volumes during the year. Other major brands, including Tyskie, have lost share, but Lech has held its position well in a declining premium segment. Zubr performed particularly well in the fourth quarter responding to strong promotional support which helped the second half volume trend. Despite downtrading in the market, revenue per hectolitre was broadly in line with the prior year in constant currency terms, although reported EBITA declined reflecting the reduced volumes.

Financial summary	2011	2010	%
Group revenue (including share of associates) (US\$m)	5,394	5,577	(3)
EBITA ¹ (US\$m)	887	872	2
EBITA margin (%)	16.4	15.6	
Sales volumes (hl 000)			
Lager	44,193	45,513	(3)

¹ In 2011 before exceptional charges of US\$261 million being impairments of US\$98 million, integration and restructuring costs of US\$52 million and business capability programme costs of US\$111 million (2010: US\$202 million being US\$64 million of integration and restructuring costs and US\$138 million of business capability programme costs).

Strategic focus areas

- Drive superior organic revenue growth and margin expansion
- Drive our full brand portfolios in growth segments in key markets through innovative 360 degree marketing programmes
- Continue to innovate in product, packaging and dispense systems
- Design for scale, cost advantage and focus

In the **Czech Republic** lager volumes declined by 6% as the market continued to be impacted by weakness in the on-premise channel, downtrading and the effect of the January 2010 excise increase. Consumer confidence has been severely impacted by high unemployment, low real wage growth and higher taxation, resulting in a double digit volume decline in the on-premise channel. Our premium brands outperformed the market. Despite its on-premise channel bias Pilsner Urquell performed well, helped by strong brand equity and expanded tank beer distribution. Our premium variant Kozel 11 also continued to grow with increased distribution in the on-premise channel. Our mainstream brand, Gambrinus, continues to be under pressure partly due to its significant exposure to the on-premise channel, although encouraging results have been seen in the second half following significant brand investment. The off-premise channel has declined at a lower rate than the on-premise helped by an expanding convenience sub-segment and we have gained share in this channel by successfully refocusing our can and convenience offerings at mainstream and economy price points. As a result of these activities, volume trends have improved and in the fourth quarter volumes rose 2%. Revenue per hectolitre fell by 2% (up 1% at constant currency), and reported EBITA declined mainly due to reduced volumes.

Key local brands

Arany Ászok, Ciucas, Dorada, Gambrinus, Grolsch, Kobanyai, Kozel, Lech, Peroni, Peroni Nastro Azzurro, Pilsner Urquell, Šariš, Sarmat, Smadny Mnich, Timisoreana, Tropical, Tyskie, Zhigulivskoe, Zolotaya Bochka, Zubr

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Volumes in **Russia** grew 1%, despite a slow start to the year after the significant January 2010 excise increase, then assisted by an exceptionally warm summer and an improving trend in the second half of the year as the economy showed signs of recovery and consumer sentiment strengthened. In a market characterised by significant downtrading we have held share. In the premium segment our local brand Zolotaya Bochka has been affected by competitor price reductions to which we have responded with a continued focus on value, supported by brand investment. Kozel enjoyed another strong year growing in a declining segment, and the decline in Miller Genuine Draft slowed due to a revitalised 'It's Miller time' marketing campaign. We have driven economy segment growth led by Tri Bogatyrya, particularly as a result of a new 3 litre PET pack. Growth in our regional portfolio, including Simbirscoe in the Ulyanovsk region and the Vladpivo brands, has offset volume declines in the Moscow area. Reported revenue per hectolitre growth reflects prior year excise-related price increases. Despite downtrading, focus on production efficiencies and fixed cost productivity resulted in an improvement in EBITA. In **Ukraine** volumes grew 21% benefiting from economic recovery along with the success of the Sarmat variant Zhigulivskoe and a 1.25 litre PET pack, while recently introduced premium brands have also boosted growth.

In **Romania** lager volumes declined by 8% in an economy which has been slow to recover. Consumer confidence has been severely impacted by government austerity measures including a 5% increase in VAT in July 2010 and a decline in real wages. Until these measures were implemented, the mainstream category had held its own, capturing downtrading from the premium segment. Since July 2010 the economy segment has seen accelerated downtrading from the mainstream segment and our mainstream brand Timisoreana declined despite performing well within its segment. Our economy brands Ciucas and Azuga gained share in the growing economy segment. Ciucas growth followed a brand relaunch in the second half with a new pack offering supported by effective trade and consumer communication. In this market context, we announced the closure of the Cluj brewery in November and are also in the process of restructuring our commercial operations.

In **Italy** economic conditions remain depressed resulting in a continued decline in the beer market particularly in the on-premise channel. Birra Peroni domestic volumes declined 4% but our value strategy resulted in constant currency revenue per hectolitre growth of 4%, benefiting from improved channel mix and strong pricing. Effective revenue management along with focused marketing investment behind core brands and fixed cost productivity resulted in a strong improvement in EBITA. In line with our strategy to improve value in this market we have agreed to dispose of our in-house distribution operation in Italy which has resulted in a charge for impairment and associated costs.

Domestic lager volumes in the **Netherlands** declined by 2%, in line with the beer market, and we maintained share. We launched Pilsner Urquell and Peroni Nastro Azzurro in the premium segment. We have recently announced further restructuring in both brewery and commercial operations.

In the **United Kingdom** lager volumes grew 23% in a premium segment which expanded only marginally. Peroni Nastro Azzurro continued its strong performance growing volume 21% with significant expansion of draught sales. Premium portfolio volumes were strong across the board and particularly healthy in Miller Genuine Draft, Pilsner Urquell and Tyskie.

In **Hungary** and **Slovakia** difficult economic conditions continued, resulting in depressed beer markets but with improving trends in the second half. In Hungary volumes declined 5%, but our market share improved reflecting in-trade execution focused on capturing uptrading into the premium segment alongside the more significant downtrading into economy brands. Volumes declined in Slovakia by 7% but the focus on premium occasions successfully drove growth in Pilsner Urquell and on-premise share growth. While trading was challenging in the **Canaries**, the recent gradual return of tourists resulted in level volume performance and we have started rationalising our distribution route to market.

Operations review – North America

Focus on brand execution



Tom Long

Chief Executive Officer, MillerCoors

The North America segment includes the group's 58% share in MillerCoors and 100% of Miller Brewing International. In a market which remained challenging through the year, robust revenue management and strong cost management, including MillerCoors' continued delivery of committed synergies and cost savings, drove total North America EBITA up 20%.

MillerCoors

For the year ended 31 March 2011 MillerCoors' US domestic volume STRs were down 3%, as the US beer market remained under pressure from high levels of unemployment amid a slow economic recovery. Domestic STWs also fell by 3%, in line with the STRs. Revenue growth was driven by pricing and favourable brand mix from uptrading and product innovation. These factors more than offset the impact on EBITA of the decline in volumes.

Premium light brand volumes were down low single digits, with growth in Coors Light and an improving performance for Miller Lite. MillerCoors' Tenth and Blake craft and import brand portfolio saw continued double digit growth driven by Blue Moon and Leinenkugel's (including their associated seasonal craft brand extensions) as well as Peroni Nastro Azzurro. The below premium segment declined in mid single digits, with both Keystone and Miller High Life volumes down as consumers began to trade up to other categories.

MillerCoors' revenue per hectolitre grew by 2% as a result of disciplined revenue management with selected price increases, including the narrowing of the price gaps between the below premium and premium brands, which resulted in consumers trading up and mix improving.

Cost of goods sold per hectolitre were marginally higher despite the ongoing benefit of synergies and cost savings, due to higher freight and carrier rates and the increased product costs of more premium brands.

Marketing, general and administrative costs decreased mainly due to synergy realisation and as a result of other cost savings initiatives.

In the full year MillerCoors delivered an incremental US\$202 million of synergy savings, mainly by marketing and media savings, brewing and packaging material cost reductions, and lower distribution costs. Other cost savings totalled US\$73 million and came mainly from a number of other supply chain initiatives.

Total annualised synergies and other cost savings of US\$684 million have been realised since the inception of the joint venture on 1 July 2008. This consists of synergies of US\$528 million and other cost savings of US\$156 million. MillerCoors achieved the original three year US\$500 million synergy target six months earlier than expected, and remains on track to achieve US\$750 million in total annualised synergies and other cost savings by the end of the calendar year 2012.

Financial summary	2011	2010	%
Group revenue (including share of joint ventures) (US\$m)	5,223	5,228	–
EBITA ¹ (US\$m)	741	619	20
EBITA margin (%)	14.2	11.8	
Sales volumes (hl 000)			
Lager – excluding contract brewing	42,336	43,472	(3)
MillerCoors' volumes			
Lager – excluding contract brewing	40,949	42,100	(3)
Sales to retailers (STRs)	40,757	41,865	(3)
Contract brewing	4,458	4,558	(2)

¹ In 2011 before exceptional charges of US\$5 million being the group's share of MillerCoors' integration and restructuring costs (2010: US\$18 million being the group's share of MillerCoors' integration and restructuring costs of US\$14 million and the group's share of the unwind of the fair value inventory adjustment of US\$4 million).

Strategic focus areas

- Win in mainstream light with complementary positioning of Coors Light, Miller Lite and MGD 64
- Through Tenth and Blake Brewing Company extend and grow MillerCoors' broad import and craft portfolio
- Create value through strong revenue management
- Create leading capabilities and superior growth in retail chain sales
- Deliver US\$750 million synergy and cost efficiencies

Key local brands

Blue Moon, Coors Banquet, Coors Light, Icehouse, Keystone Light, Killian's, Leinenkugel's, MGD64, Mickey's, Miller Genuine Draft, Miller High Life, Miller Lite, Milwaukee's Best, Olde English, Steel Reserve, Batch 19, Colorado Native

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Riding a new wave of growth in the USA

In a generally weak US beer market, consumers looking for beers with a difference are showing a strong interest in craft and speciality brands with distinct identities and local provenance. As a result, sales of craft and imported beers have been growing ahead of the category.

With its strong portfolio of craft and imported brands – names like Blue Moon, Leinenkugel's, Batch 19, Colorado Native and Peroni Nastro Azzurro – MillerCoors has responded to these positive trends by forming Tenth and Blake Beer Company.

Established in 2010 to focus specifically on the craft and import segment, the new organisation fields its own beer merchants with specialised knowledge of the products and the sales and category management expertise to help distributors and retailers accelerate the growth of these higher-margin brands – so creating value for themselves as well as for Tenth and Blake.

Last year the company's best-selling brand, Blue Moon, increased sales volumes by 25% and sparked explosive growth in the Belgian wheat beer category – now the fastest growing segment in the US beer industry. Blue Moon's growing popularity among Hispanic consumers, a group of drinkers new to craft beers, is likely to create a further wave of growth for the brand.



Operations review – Africa

Investments delivering growth



Mark Bowman

Managing Director, SABMiller Africa

Africa delivered a strong full year performance with lager volume growth of 13% including Zimbabwe¹, and 9% excluding Zimbabwe, on an organic basis. This performance is largely attributable to greater focus on route to market activities, the improved and differentiated brand portfolios as well as the continued economic growth across the region. Regional premium brands maintained robust growth, with Castle Lager up by 20%, excluding the incremental Zimbabwe volumes. Local premium volumes continued to grow very strongly, while in the affordable segment we expanded our geographic footprint and our Eagle brand performed well. Soft drinks volumes grew 8% organically (4% excluding Zimbabwe) and 18% on a reported basis as we cycled the acquisitions of the prior year. The soft drinks category is performing well with solid growth in Uganda, Ghana, Nigeria, Zambia and particularly Zimbabwe. Super Maheu continues to grow with expansion into new markets. Traditional beer pilot plants were established in a number of new territories and have performed to expectation, with full production to follow. Local farming initiatives are gaining momentum with Zambia now self-sufficient in barley. Our investments in capacity in the last two years are building impetus and creating profitable growth opportunities in new geographies.

Despite increased investment in sales and marketing EBITA grew by 15% (20% on an organic, constant currency basis), driven by volume growth and price increases. The start up operations in Ethiopia, Southern Sudan and Nigeria performed to expectation. EBITA margin for the full year declined by 90 bps to 19.9%, impacted by weaker local currencies relative to the US dollar which affected raw material input costs and the increased cost base due to the expansion projects commissioned in the prior year. However EBITA margin improved in the second half, gaining 30 bps over the same period in the prior year.

In **Uganda** lager volumes grew by 20% supported by improved distribution, retail execution and a strong brand portfolio that was able to benefit from the prior year capacity expansion. Eagle continues to record exceptional growth in the affordable segment while Nile Gold, and Castle Lite, which was launched earlier this year, are progressing well in the premium segment.

Lager volumes in **Tanzania** grew by 5% for the full year, having been level at the half year. Prior year volumes included licensed brand production for East African Breweries Limited (EABL) – if the impact of these volumes is excluded, our own lager brands grew 19% in the year, with the total beverage portfolio up 23%. This growth is directly attributable to increased brand and market focus, with Castle Lager, Castle Lite and Ndovu Special Malt outperforming in the premium sector and Kilimanjaro and Safari lager performing well in the mainstream sector following recent brand renovation programmes. The far south region grew strongly following the commissioning of the Mbeya brewery which has also saved distribution costs.

Lager volume growth of 7% was achieved in **Mozambique** as a result of improved availability of product and focused sales and distribution in the north enabled by the opening of the Nampula brewery at the end of the prior year. The main brand contributors were Laurentina Preta, a local premium brand, with growth of 46% and Manica, a mainstream brand, with volume growth of 21%. Although volumes of the 2M brand declined for the year, they grew in the final quarter with a revitalised marketing campaign and the launch of a new bottle.

Financial summary	2011	2010	%
Group revenue (including share of associates) (US\$m)	3,254	2,716	20
EBITA ¹ (US\$m)	647	565	15
EBITA margin (%)	19.9	20.8	
Sales volumes (hl 000)			
Lager	15,288	13,476	13
Lager (organic)	15,223	13,476	13
Soft drinks	12,373	10,442	18
Soft drinks (organic)	11,314	10,442	8
Other alcoholic beverages	5,080	3,922	30

¹ In 2011 before net exceptional charges of US\$4 million being business capability programme costs (2010: US\$3 million).

Strategic focus areas

- Spur growth in beer and soft drinks with expanded brand portfolios across a wider price range
- Step up investment in, and execution of, brand marketing
- Further develop sales and distribution to enhance our outlet presence and extend our geographic coverage
- Mitigate high imported input costs through innovation and local supply chains

Key local brands

2M, Chibuku, Club Premium Lager, Club Pilsener, Eagle, Kilimanjaro, Laurentina, Lion Lager, Maluti, Manica, Mosi, N'gola, Nile Special, Safari, Sibebe, St Louis, White Bull, Ambo, Rwenzori, Voltic

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In **Zambia** lager volume growth for the year was 28% driven by more effective distribution, better availability of product following the brewery upgrade at Ndola and the continued consumer price benefit of the excise reduction in March 2010. Castle Lager and Mosi have both shown strong growth in the year. Traditional beer grew by 11% as a result of improved distribution channels and availability.

In **Angola** soft drinks ended the year in line with the prior year despite a slowdown in the economy which resulted in lower disposable income and consumer demand. Lager volumes grew 26% following the successful commissioning of the new brewery in Luanda.

Delta Corporation, our associate in **Zimbabwe**¹, is slowly returning to normality with lager volumes approaching their previous highs. During the year capital investments to improve the standard of the breweries in Zimbabwe were undertaken, including a new lager packaging line in Bulawayo which was commissioned in the latter part of the year.

Castel delivered lager volume growth of 4% with good growth in Nigeria, the Democratic Republic of the Congo, Benin and Chad. Soft drinks volumes grew by 8% year on year.

¹ We have included our share of Delta, our associate in Zimbabwe, within our results effective 1 April 2010 following the effective 'dollarisation' of the economy in 2009, the end of hyperinflation and the stabilisation of the local economy.

Operations review – Asia

Continued expansion



Ari Mervis

Managing Director, SABMiller Asia

In Asia lager volumes grew 10% on an organic basis, with strong growth in China, supported by India and Vietnam. EBITA increased 31% (33% on an organic, constant currency basis), with all of the region's operations showing improvement and particularly pleasing growth in India and China. EBITA margin increased by 50 bps.

In **China** lager volumes grew by 11% (10% on an organic basis), in a market which grew at an estimated 6%. The north-east and central regions contributed the majority of the increase in volume as they continued to grow strongly, but results in the south-east were also good.

Revenue per hectolitre increased by 4% both on a reported and an organic, constant currency basis. CR Snow continued to grow its presence in the premium segment through brand extensions to Snow, including Draft and Brave the World. In recent months CR Snow has increased its average selling prices in order to cover higher costs. In addition, EBITA has been adversely affected by changes to consumption tax legislation for foreign invested enterprises in China with effect from 1 December 2010.

CR Snow further increased its sales and marketing activities to grow market share, with good increases in share achieved in Jiangsu, Shanghai, Shanxi, Zhejiang, Inner Mongolia, Heilongjiang, Liaoning, and Guizhou. Aggressive competition in the lower segments of the market led to share loss in Sichuan and Tianjin, although in Sichuan this has been stemmed in more recent months.

CR Snow continues to expand its footprint with capacity of six million hectolitres added in the year. This included the acquisition of three breweries in Heilongjiang, Jiangsu and Henan and two newly built breweries in Shandong and Shanxi. In addition, a number of projects were initiated during the year to further increase capacity.

India delivered volume growth of 10% and a substantial improvement in EBITA. In all of the key states – Karnataka, Andhra Pradesh, Pondicherry, Uttar Pradesh, Haryana, Maharashtra and Madhya Pradesh – we increased volumes, although in Andhra Pradesh these were constrained from July 2010 with regulatory issues limiting our market share in the state. Increased revenue per hectolitre, favourable mix and cost control and the introduction of embossed proprietary bottles in key states, further enhanced results.

Volumes in **Vietnam** increased over the prior year although both domestic and export performance has been more subdued in the latter part of the year. Volume performance in our joint venture in **Australia** was soft with increased competition in the premium segment, and the market suffered from particularly poor weather and the impacts of flooding in the second half of the year. The commissioning of a new brewery in June 2010 has enabled improved availability of draught offerings in the on-premise channel. EBITA improved as a result of favourable mix, some pricing benefits and lower costs from local production.

Financial summary	2011	2010	%
Group revenue (including share of associates and joint ventures) (US\$m)	2,026	1,741	16
EBITA (US\$m)	92	71	31
EBITA margin (%)	4.6	4.1	
Sales volumes (hl 000)			
Lager	51,270	46,279	11
Lager (organic)	50,848	46,279	10

Strategic focus areas

- Further build market leadership in China and enhance profitability
- Continue to drive Snow, the largest beer brand in China, with additional premium variants to increase revenue
- Pursue market liberalisation in India and focus investment on growth and profitability in selected states
- Develop our operations in Vietnam and Australia as well as our broader regional presence

Key local brands

Bluetongue, Foster's, Haywards 5000, Knock Out, Royal Challenge, Snow – Brave the World, Snow – Brushes, Snow – Draft, Snow – Opera, Snow – Windows, Zorok

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India trials PET bottles

Our business in India has been exploring the advantages of beer bottles made from the plastic, PET (polyethylene terephthalate). Light, non-breakable and resealable, PET packs offer opportunities to improve margins, create new beer-drinking occasions and increase consumption per occasion.

In an early test in February 2010, the Haywards 5000 brand was introduced in PET bottles in ten towns in Maharashtra. The phased launch was accompanied by concerted local campaigns involving print, radio, outdoor and point-of-sale advertising, all highlighting the portability and convenience of the PET pack and its advantages in home consumption. Consumer demand was strong and most outlets needed repeat deliveries within two weeks of the launch.

A further trial of the PET bottle involved the Knock Out brand – this time directed at group consumption in small-town bars and restaurants (the biggest single beer-drinking occasion by volume) and highlighting the pack's suitability for sharing. Early indications from consumers and customers are extremely positive and the business has begun to roll this packaging format out across Maharashtra and is preparing to introduce further brands in this format.



Operations review – South Africa: Beverages

Execution driving growth



Norman Adami

Chairman and Managing Director, SAB Ltd

The South African economy strengthened during the year with both GDP and retail sales returning to growth after a decline in the previous year. However, the recovery in consumer demand has been tentative as consumers were impacted by higher food and energy prices.

Lager volumes returned to growth, at 2% - a strong performance given that the year under review had no Easter. Our beer business intensified investment behind its core brands and further enhanced sales execution with retailers. The increase in market-facing investment was principally funded through cost reduction. Product and packaging innovation built on the momentum created by intensive through the line marketing campaigns. Retail execution reach and intensity at the point of sale were significantly improved through our focus on key classes of trade. Encouragingly, our market share stabilised over the second half of the year.

Castle Lite, South Africa's largest premium beer, accelerated its growth, supported by the communication of its 'Extra cold' characteristics and selective placement in the trade of specialised refrigeration equipment. Mainstream brands in total returned to growth. Castle Lager benefited further from its association with sport and continued to build on the gains it made during the 2010 FIFA World Cup. Hansa Pilsener continued to grow steadily from its large base while Carling Black Label, South Africa's best-selling beer, declined more slowly.

Soft drinks volumes grew by 3% driven by the emphasis on immediate consumption packs, a greater sophistication in channel specific trade execution and enhanced customer service, while cost competitiveness was also strengthened. Sparkling soft drinks growth of 2% included growth in returnable glass bottles and immediate consumption packs in particular. Good growth in Powerade, coupled with the successful launch of Glaceau during the year, drove growth of 15% in alternative beverages.

Group revenue grew by 17%, (8% on a constant currency basis), assisted by the strong volume growth and price benefits in both the beer and soft drinks businesses. Group revenue per hectolitre grew by 14%, (5% on a constant currency basis). Year on year beer raw material costs declined in constant currency per hectolitre terms, benefiting from lower brewing input costs and favourable forward exchange contracts. Soft drinks raw material cost increases were marginally ahead of inflation.

EBITA grew by 21% (11% on a constant currency basis), benefiting from the strengthening of the rand over the year relative to the US dollar. Full year EBITA margin of 19.1% reflected a 60 bps improvement on the prior year.

Appletiser delivered solid revenue growth and a strong EBITA performance. Our associate **Distell** increased volumes and revenue, with cider and ready-to-drink growth partially offset by a decline in wines and spirits, predominantly in the domestic market. Although EBITA grew, margins were adversely impacted by the negative sales mix and adverse transactional exchange rate impacts.

The offer of shares in the company's Broad-Based Black Economic Empowerment transaction attracted over 33,000 applications and was 29% oversubscribed when it closed in June 2010. A total of 46.2 million new shares in The South African Breweries Limited (SAB), representing 8.45% of SAB's enlarged issued share capital, have been issued. During the year we distributed an interim dividend of US\$3 million to the participating employee and retailer shareholders, and subsequent to year end the final dividend of US\$6 million has been paid, covering the second half of the year and our peak trading period.

Financial summary	2011	2010	%
Group revenue (including share of associates) (US\$m)	5,598	4,777	17
EBITA ¹ (US\$m)	1,067	885	21
EBITA margin (%)	19.1	18.5	
Sales volumes (hl 000)			
Lager	26,306	25,761	2
Soft drinks	17,574	17,044	3
Other alcoholic beverages	1,467	1,404	5

¹ In 2011 before net exceptional charges of US\$188 million being business capability programme costs of US\$39 million and charges incurred in relation to the Broad-Based Black Economic Empowerment scheme of US\$149 million (2010: US\$53 million being business capability programme costs of US\$42 million and costs associated with the establishment of the Broad-Based Black Economic Empowerment transaction of US\$11 million).

Strategic focus areas

- Fortify the foundation, and strengthen productivity edge
- Engage the competitor
- Ensure key brands resonate
- Shape superior routes to market
- Ensure societal leadership

Key local brands

Carling Black Label, Castle Lager, Castle Lite, Castle Milk Stout, Hansa Pilsener, Redd's, Redd's Premium Dry, Appletiser, Brutal Fruit

For more information view our brand explorer at www.sabmiller.com/brandexplorer



Uniting South Africans behind the national brand

When the FIFA World Cup came to South Africa in 2010, the South African business decided to use the opportunity to rejuvenate its 115-year-old Castle Lager brand and sharpen its brand image in the eyes of consumers.

In a nation with 11 languages and a multiplicity of cultures and political affiliations, research showed that one characteristic that unites South Africans of all backgrounds is the pride they take in their reputation for warmth and hospitality. As sponsors of the national football team, Bafana Bafana, Castle Lager created a 12-month campaign to encapsulate these qualities in the eyes of South Africans and incoming visitors and to rally the nation behind the team.

Promoted as the country's host beer under the rallying cry, 'We're genuine hosts, let's show the world', Castle Lager has struck a chord in the national psyche and has come to be seen as representing the best of South Africa.

This intense marketing activity and Castle Lager's continued association with other South African national sports teams led to a sustained increase in the brand's sales during the year.



Operations review – South Africa: Hotels and Gaming

Financial summary	2011	2010	%
Group revenue (share of associates) (US\$m)	481	406	18
EBITA ¹ (US\$m)	137	122	12
EBITA margin (%)	28.5	30.0	
Revenue per available room (Revpar) – US\$	73.74	65.33	13

¹ In 2011 before exceptional charges of US\$26 million being the group's share of the loss on the merger transaction (2010: US\$nil).

In February 2011, the Tsogo Sun Group merged with Gold Reef Resorts Ltd (GRR), a Johannesburg Stock Exchange listed company, through an all share merger. The transaction was effected through the acquisition by GRR of Tsogo Sun, and the group exchanged its entire 49% shareholding in Tsogo Sun Holdings (Pty) Ltd for a 39.68% shareholding in the listed enlarged entity.

Despite the improvement in the wider South African economy, the Tsogo Sun Group continued to be impacted by softer consumer demand in both the gaming market and the hospitality industry. Results were however assisted by the 2010 FIFA World Cup held in June and July. Our share of Tsogo Sun Group's reported revenue grew by 18% over the prior year, with organic, constant currency growth of 8%. Revenue per available room (revpar) was up 13% (4% on a constant currency basis).

The gaming industry in South Africa grew in low to mid single digits. The biggest gaming province, Gauteng, grew by 2% versus a prior year decline of 3%, and the KwaZulu-Natal region grew by 5%. The Tsogo Sun Group improved market share in Gauteng and held share in KwaZulu-Natal.

The South African hotel industry remained under pressure throughout the year, except during the FIFA 2010 World Cup period, particularly in the key corporate and government segments. Hotel occupancies peaked at 72% for the month in June 2010 and averaged 58% for the year, ending relatively unchanged against last year. Group-wide occupancies ended the year at 59%.

EBITA grew by 12% (3% on a constant currency basis) with EBITA margin declining as high utility price increases, together with other inflationary cost increases, outstripped revenue growth.



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Eagle

Eagle Lager was the first sorghum 'clear beer' to be introduced into Uganda by a leading commercial brewery. Today it accounts for almost half of all SABMiller beer sold in Uganda and is available throughout Africa.

Chief Financial Officer's review

Excellent financial performance



Malcolm Wyman
Chief Financial Officer

Financial highlights

- Group revenue up 7% to US\$28,311 million
- EBITA growth of 15%
- EBITA margin of 17.8%, 120 bps higher than the prior year
- Adjusted profit before tax of US\$4,491 million, an increase of 18%
- Adjusted earnings increased 20% to US\$3,018 million
- Adjusted EPS of 191.5 US cents increased by 19%
- Total dividend for the year of 81 US cents per share, also up 19%
- Free cash flow improved by US\$460 million to US\$2,488 million
- Net debt of US\$7,091 million, a reduction of US\$1,307 million from the prior year

Shareholder value

The group's financial goal is to deliver a higher return to our shareholders than our peer group over the longer term. We aspire to be the investment of choice in the global beer industry. We measure our performance against this goal by assessing total shareholder return (TSR), growth in adjusted earnings per share and free cash flow.

We achieved adjusted earnings per share growth in the year of 19%, building further on the 17% growth achieved last year. Free cash flow at US\$2,488 million was strong and ahead of last year by US\$460 million.

Over the three years to 31 March 2011, we achieved a TSR, as defined in the definitions section, of 98%, compared to the median of the comparator group, as used for executive remuneration purposes, of 25%. In addition, since SABMiller moved its primary listing to the London Stock Exchange in March 1999 and, over the past five years, we have significantly outperformed the FTSE 100 in sterling terms, as demonstrated in the following table.

TSR growth

	Last five years to 31 March		Since listing in March 1999 to 31 March	
	2011 %	2010 %	2011 %	2010 %
SABMiller plc	119	163	579	481
FTSE 100	19	39	42	32

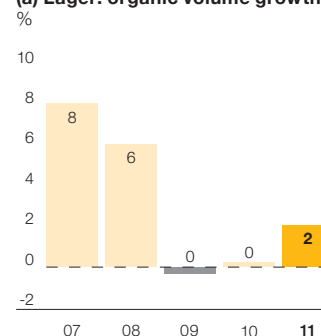
Key performance indicators (KPIs)

We use a range of KPIs to monitor progress against our four strategic priorities and our financial goal, as noted on pages 18 and 19. Our KPIs and other performance indicators include non-GAAP performance measures to assess underlying performance. These incorporate constant exchange rates for measuring revenue and profit growth; organic measures to exclude acquisition and divestment effects; adjusted profit measures to exclude exceptional items and amortisation of certain intangible assets; and adjusted EBITDA as a key cash flow measure (which includes dividends from the MillerCoors joint venture and excludes the cash impact of exceptional items). Detailed definitions of these terms can be found on pages 168 and 169, and for certain items reconciliations to the nearest equivalent GAAP measure are provided below or in the notes to the consolidated financial statements.

Volumes

Trading conditions across the group were mixed with improvements in most of our emerging markets, although constraints on consumer demand impacted performance in Europe and North America. Strong brand equities and sales execution drove volume growth. Total volumes, including lager, soft drinks and other beverages containing alcohol, were up 3% on the prior year on both an organic basis and a reported basis. Lager volumes were up 2% on the prior year on both these bases. The figures in the table on the opposite page include our share of Delta, our associate in Zimbabwe, in this year's volumes but not the prior year's. The rate of growth is not materially affected by the inclusion of Delta.

(a) Lager: organic volume growth





Grolsch

Grolsch has a distinctive, bold and hoppy taste developed through almost four centuries of crafted brewing tradition. It owes its superb quality to the selection of the finest ingredients, unique double fermentation brewing process and use of single variety malted barley.

Origin: Netherlands
First brewed: 1615

www.grolsch.com

	Reported			Organic	
	2011 hl m	2010 hl m	% change	% change	
Total volumes	270	261	3	3	
Lager volumes	218	213	2	2	

Aggregated beverage volumes, which include 100% of the volumes of all of our consolidated subsidiaries, associated companies and joint ventures, grew 5% to 392 million hectolitres and aggregated lager volumes increased 4% to 319 million hectolitres. This reflected strong volume growth in our associates, CR Snow in China and Castel in Africa.

Chart (a) on page 36 shows organic growth in lager volumes for each of the last five years. Volumes in the 2009 and 2010 financial years were impacted by the economic recession following the global financial crisis.

Revenue

Group revenue was US\$28,311 million (including the group's share of associates' and joint ventures' revenue of US\$8,903 million). This represented an increase of 7% (5% on an organic, constant currency basis) driven equally by volume growth and price/mix gains in all regions, most strongly in Africa, Asia and South Africa: Beverages.

As can be seen in chart (b), currency movements during the year contributed to reported group revenue, mainly due to the strength of the South African rand and Latin American currencies partially offset by currency weakness in Europe and Africa. Acquisitions completed in the current and prior financial years had a negligible impact on group revenue.

In the past five years, we have grown group revenue strongly, both on an organic basis and by acquisition. The compound annual organic growth rate in volumes has been 3.5% (2010: 3.8%), and we have leveraged this growth through price and mix benefits to generate compound annual group revenue growth of 7.8% (2010: 7.9%) over that period.

Chart (c) illustrates the organic growth in group revenue for each of the past five years, with performance shown in constant currency.

Input costs

Raw material input costs for the year were down approximately 1% on the prior year, on a constant currency per hectolitre basis. As expected, raw material costs increased in the second half of the year on the same basis, as the benefit of lower barley prices in the latter part of the prior year was cycled. In addition, the sharp rise in crude oil prices resulted in an increase in distribution costs over the second half of the year. Full year raw material costs benefited from the strengthening of a number of key operating currencies relative to the US dollar, in particular the South African rand and the Colombian peso.

Raw material input costs are expected to increase by low single digits in the forthcoming financial year due to rising commodity prices which have adversely impacted the cost of brewing raw materials in particular. As at the end of March 2011, well over half of the group's barley requirements for the forthcoming financial year were covered through supplier contracts but at somewhat higher prices than last year, following the poor wheat and barley harvests in Russia and Northern Europe last summer. In addition, certain packaging raw material costs, as well as distribution costs, are expected to be affected by the increase in crude oil prices. However, we expect that firmer local operating currencies relative to the US dollar will partially mitigate higher US dollar commodity prices in the current financial year.

The impact of recent increases in commodity prices has been mitigated to an extent by our policy of covering forward a significant portion of our future raw material requirements at fixed prices.

EBITA

We report EBITA (earnings before interest, tax and amortisation) as this is the key profit metric by which the group is managed and operating performance is evaluated internally. Segmental performance is reported after the apportionment of attributable head office service costs.

We delivered a very strong financial performance in 2011 with EBITA growth of 12% on an organic, constant currency basis, with all divisions contributing to the increase. EBITA (including principally the impact of currency movements) grew 15% compared with the prior year, to US\$5,044 million. Chart (d) shows the increase in EBITA for each of the last five years with each year's growth shown in constant currency after excluding the impact of acquisitions and disposals.

EBITA margin

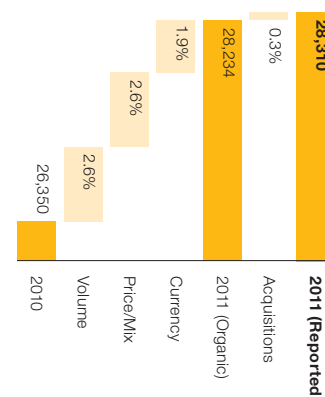
EBITA margin at 17.8% was 120 bps higher than the prior year. Lower input costs across the group, together with fixed cost productivity mainly in Latin America, Europe and North America, were the key contributors to the improved EBITA margin. Chart (e) on the next page shows EBITA margin by division. Latin America and North America made particularly good progress, up 210 bps and 240 bps respectively.

Exceptional items

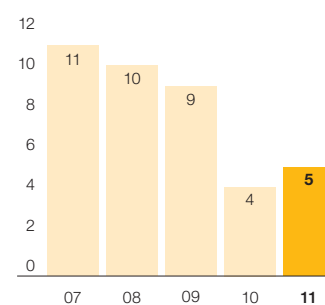
Items that are material either by size or incidence are classified as exceptional items. Further details on these items can be found in note 4 to the consolidated financial statements.

Net exceptional charges of US\$467 million before finance costs and tax were reported during the year (2010: US\$490 million) and included exceptional charges of US\$31 million (2010: US\$18 million) related to the group's share of associates' and

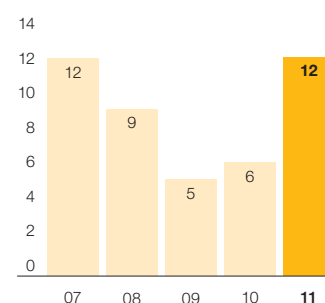
(b) Group revenue US\$m
Components of performance



(c) Group revenue growth %
Organic, constant currency basis



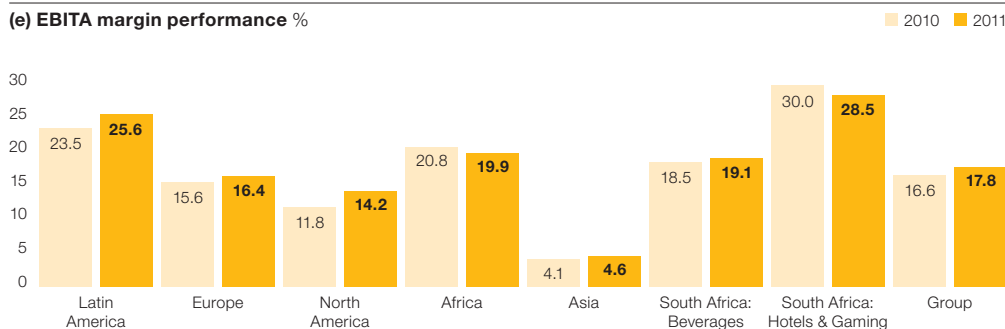
(d) EBITA growth %
Organic, constant currency basis



Chief Financial Officer's review

Continued

(e) EBITA margin performance %



joint ventures' exceptional charges. The net exceptional charges included:

- US\$296 million related to business capability programme costs in Latin America, Europe, South Africa: Beverages, Africa and Corporate;
- US\$149 million of costs of the Broad-Based Black Economic Empowerment scheme in South Africa;
- US\$159 million gain on the dilution of the group's interests in South Africa: Hotels and Gaming;
- US\$98 million related to the impairment of intangibles, property, plant and equipment and other assets in Europe; and
- US\$52 million related to restructuring costs in Europe.

The group's share of associates' and joint ventures' exceptional items in the year included:

- US\$26 million being the group's share of the loss on the merger transaction within South Africa: Hotels and Gaming; and
- US\$5 million related to the group's share of MillerCoors' integration and restructuring costs.

Finance costs

Net finance costs were US\$525 million, a 7% decrease on the prior year's US\$563 million, reflecting a reduction in net debt. Finance costs in the current year included a net loss of US\$7 million (2010: US\$8 million) from the mark to market adjustments of various derivatives on capital items for which hedge accounting cannot be applied.

This mark to market loss has been excluded from adjusted finance costs and adjusted earnings per share. Adjusted net finance costs were 4% lower than in 2010 and are reconciled to net finance costs in the table below. Interest cover has increased to 10.8 times from 9.3 times in the prior year.

	2011 US\$m	2010 US\$m
Net finance costs	525	563
Mark to market loss on capital items	(7)	(8)
Exceptional finance loss	–	(17)
Adjusted finance costs	518	538

We expect finance costs in the 2012 financial year to decrease with the benefit of reduced net debt levels.

Tax

The effective rate of tax for the year (before amortisation of intangible assets other than software and exceptional items) was 28.2%, slightly lower than the rate of 28.5% in the prior year. This reduction resulted from a combination of factors including:

- a beneficial mix of profits between operating territories;
- changes in tax legislation in Europe; and
- the resolution of various uncertain tax positions.

We expect the effective tax rate to remain within the 28% to 29% range, reflecting a level which we believe is sustainable given the current tax structure and composition of the group.

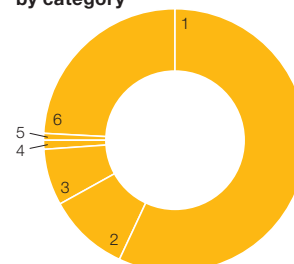
The corporate tax charge for the year was US\$1,069 million. This differed from the tax paid during the year because the payment of a tax liability can fall outside the financial year, and because of deferred tax accounting treatments. Uncertainty of interpretation and application of tax law in some jurisdictions also contributes to differences between the amounts paid and those charged to the income statement.

Our tax strategy is to manage all taxes to provide a sustainable and competitive outcome in the interests of all stakeholders, while acting in a transparent and professional manner. Our tax policy is aligned to this strategy.

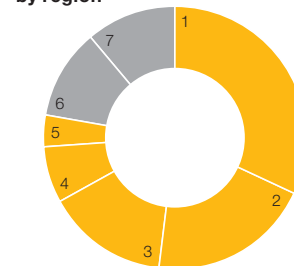
In the year, total taxes borne and collected by the group, including excise and indirect taxes, amounted to US\$8,400 million (2010: US\$7,000 million). The composition and divisional analysis is shown in the adjacent charts.

The group has completed its first year under the UK's senior accounting officer (SAO) legislation. We are required to certify that our systems are adequate for the purpose of calculating the group's UK tax liability. We believe that our systems and controls are sufficient for this purpose.

(f) Tax borne and collected by category



(g) Tax borne and collected by region



Emerging & Developing Economies

1 Latin America	32%
2 South Africa	20%
3 Europe	15%
4 Africa	7%
5 Asia	4%

Developed Economies

6 Europe	11%
7 USA	11%



Carling Black Label

A full-flavoured lager with low bitterness and a distinctive, fruity aroma, Carling Black Label is refreshing and highly rewarding to drink. It's what makes it a 'champion beer' preferred by consumers and international experts alike.

Origin: South Africa
First brewed: 1966

Profit and earnings

Adjusted profit before tax of US\$4,491 million increased by 18% over the prior year due to the increased EBITA and lower finance costs. On a statutory basis, profit before tax of US\$3,626 million was 24% higher than the prior year. The table below reconciles EBITA to adjusted profit before tax and to the statutory profit before tax.

	2011 US\$m	2010 US\$m	% change
EBITA	5,044	4,381	15
Adjusted finance costs	(518)	(538)	4
Share of associates' and joint ventures' finance costs	(35)	(40)	12
Adjusted profit before tax	4,491	3,803	18
Exceptional items (excluding finance cost exceptionals)	(467)	(490)	5
Adjustments to finance costs	(7)	(25)	72
Amortisation	(209)	(199)	(5)
Share of associates' and joint ventures' tax and non-controlling interests	(182)	(160)	(14)
Profit before tax	3,626	2,929	24

Adjusted earnings increased by 20% to US\$3,018 million. With the weighted average number of basic shares in issue for the year of 1,576 million, up slightly from last year's 1,558 million, we achieved strong adjusted earnings per share growth in both our reporting currency of US dollars and also in the currencies in which our shares are quoted, as demonstrated in the table below.

	2011	2010	% change
US cents	191.5	161.1	19
UK pence	123.4	100.6	23
South African cents	1,369.6	1,253.8	9

A reconciliation of the statutory measure of profit attributable to equity shareholders with adjusted earnings is shown in note 8 to the consolidated financial statements. On a statutory basis, basic earnings per share were 25% up on the prior year primarily as a result of higher profit before tax, lower profit attributable to non-controlling interests and only a minimal increase in the weighted average number of shares in issue in the year.

Dividends

The board has proposed a final dividend of 61.5 US cents to make a total of 81 US cents per share for the year – an increase of 19% over the prior year. This represents dividend cover of 2.4 times based on adjusted earnings per share (2010: 2.4 times). Our guideline is to achieve dividend cover of between 2.0 and 2.5 times adjusted earnings. The relationship between the growth in dividends per share and adjusted earnings per share is demonstrated in chart (h).

Details of payments and related matters are disclosed in the directors' report.

Business combinations and similar transactions

On 24 November 2010 we acquired a 100% interest in Cervceria Argentina SA Isenbeck for cash. The acquisition has increased our exposure to the beer market in Argentina and also provides a platform for exports into neighbouring countries.

On 30 November 2010 we completed the cash acquisition of an 80% effective interest in Crown Foods Limited, a mineral water and juice business in Kenya, consistent with the group's full beverage portfolio strategy in Africa. This was made in partnership with Castel, with the effective interest stated after taking account of Castel's share.

On 24 February 2011 the merger of our South African hotels and gaming associate, Tsogo Sun Group (Tsogo Sun) with Gold Reef Resorts Ltd, a JSE listed gaming business, was completed. We exchanged our 49% interest in Tsogo Sun for a 39.7% interest in the enlarged Tsogo Sun/Gold Reef Resorts business, in an all share transaction.

In China, our associate, CR Snow, has continued to consolidate its position as the country's largest brewer with the purchase of a further three breweries in the year.

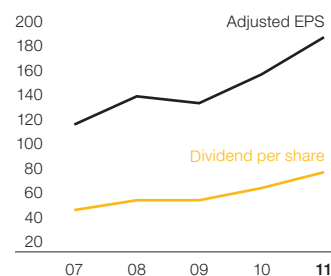
Cash flow and investment highlights

Net cash generated from operations before working capital movements (EBITDA) of US\$4,502 million was 13% higher than the prior year. EBITDA excludes cash contributions from joint ventures and includes the effects of cash flows from exceptional items. To consider cash generation on an underlying basis, we use an adjusted EBITDA measure which excludes the cash flow impact of exceptional items and includes the dividends received from MillerCoors (which is a proxy for our share of MillerCoors' EBITDA). Adjusted EBITDA of US\$5,617 million grew by 12% compared with the prior year. Adjusted EBITDA margin, including the group's share of MillerCoors' revenue, improved 120 bps in the year to 22.9%.

	2011 US\$m	2010 US\$m
EBITDA (see note 28a)	4,502	3,974
Plus cash outflows from exceptional items	293	339
Plus MillerCoors' dividend	822	707
Adjusted EBITDA	5,617	5,020
Revenue	19,408	18,020
Plus share of MillerCoors' revenue	5,106	5,121
	24,514	23,141
Adjusted EBITDA margin	22.9%	21.7%

We achieved a cash inflow from working capital of US\$66 million, principally as a result of business capability initiatives. While positive, the amount of working capital inflow was, as expected, lower than the exceptionally strong inflow in the prior year.

(h) Adjusted earnings per share (EPS) and dividend per share
US cents



Chief Financial Officer's review

Continued

Cash generated from operations increased by 1% over the prior year, to US\$4,568 million.

Tax paid in the year increased by 43% to US\$885 million from US\$620 million in the prior year. The increase arose from a combination of items, including:

- tax payable on higher profits;
- additional withholding taxes payable in Africa and Latin America;
- payments made on resolution of various tax disputes; and
- a tax refund received in the prior year, which arose following the establishment of the MillerCoors joint venture.

Net interest paid has remained level with the prior year at US\$640 million reflecting the reduction in net interest expense offset by the timing of payments and the settlement at maturity of a number of derivative financial liabilities.

Capital expenditure for the year was US\$1,189 million (2010: US\$1,436 million), or US\$1,315 million (2010: US\$1,528 million) including the purchase of intangible assets, and investments in a number of major capacity projects including new breweries in Angola, Mozambique, Southern Sudan and Tanzania, together with brewery capacity expansions in Peru and Uganda. Capital expenditure of approximately US\$1,500 million is expected in the next financial year.

Free cash flow improved by US\$460 million to US\$2,488 million, benefiting from improved EBITDA, lower capital expenditure, lower investments in associates and joint ventures, higher dividends from MillerCoors and a reduction in dividends paid to non-controlling interests following the acquisition of the non-controlling interests in our Polish business in May 2009. Free cash flow over the last five years is shown in chart (i).

Business capability programme

In addition to the exceptional costs of the business capability programme noted above under Exceptional items, the programme incurred capital expenditure in the year of US\$87 million (2010: US\$95 million). While the programme is still in its relatively early phase, it has already led to accumulated improvements in working capital of US\$461 million, and to net operating benefits in the year of US\$67 million (2010: US\$17 million). These include benefits generated from the global procurement programme and the implementation of a regional manufacturing operation in Europe. Including cost avoidance benefits and the net operating benefits of the prior year, the accumulated benefits from the programme now amount to US\$620 million. The rate of working capital cash inflow from the business capability programme will continue to decrease in the next year but cumulative benefits in working capital already exceed our original expectations.

Balance sheet

A significant proportion of the non-current assets on our balance sheet reflect acquisitions since our listing on the London Stock Exchange in March 1999. No goodwill or intangible assets are recognised on the balance sheet in relation to businesses or brands that have been developed organically or were acquired prior to 1998. The same policy applies for our investments in associates and joint ventures, including MillerCoors. Acquisitions post 1 April 1998 and prior to the IFRS transition in 2005 were accounted for in accordance with UK GAAP, with intangible assets, such as brands, not separately recognised but instead forming part of the goodwill on the acquisition, which was amortised over 20 years in most instances. On transition to IFRS in 2005, we changed our policy and have recognised acquired intangible assets, primarily brands, separately from goodwill on acquisitions, with intangible assets subject to amortisation and with no amortisation of goodwill. The goodwill and intangible assets relating to investments in associates and joint ventures including MillerCoors are subsumed within the investment total and not separately identified on our balance sheet.

Total assets increased to US\$39,108 million from the prior year's US\$37,499 million (restated – business combinations. See note 29 to the consolidated financial statements), primarily as a result of the strengthening of the currencies of our major operating businesses against the US dollar.

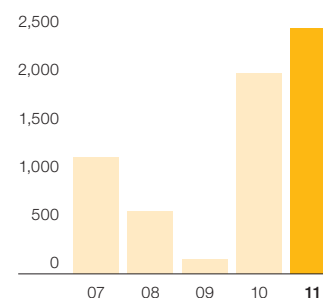
Goodwill increased by US\$373 million, compared to the restated prior year amount, as a result of the impact of foreign exchange rate changes on goodwill denominated in currencies other than the US dollar and by goodwill arising on the business combinations in Latin America and Africa.

Intangible assets increased by US\$7 million primarily reflecting foreign exchange movements and additions primarily related to the business capability programme, mainly offset by amortisation.

Gross debt at 31 March 2011 decreased to US\$8,162 million from US\$9,177 million at 31 March 2010. Gross debt comprises borrowings together with the fair value of derivative assets or liabilities held to manage interest rate and foreign currency risk of borrowings. Net debt (comprising gross debt net of cash and cash equivalents) decreased to US\$7,091 million from US\$8,398 million at 31 March 2010. The reduced level of net debt resulted from the strong free cash flow, and was achieved despite the marginal strengthening of certain currencies in which some of our debt is denominated. As at 31 March 2011, we held cash and cash equivalent investments of US\$1,071 million (2010: US\$779 million).

An analysis of net debt is provided in note 28c to the consolidated financial statements. Our gearing (presented as a ratio of net debt to equity) has decreased significantly to 31.2% from 40.8% (restated) at 31 March 2010.

(i) Free cash flow
US\$m





Miller Lite

Miller Lite is the ultimate light beer, triple hops brewed for a great pilsener taste. It is the only beer to win four gold awards in the World Beer Cup® for best American-style light lager.

Origin: USA
First brewed: 1973
www.millerlite.com

Total equity increased from US\$20,593 million at 31 March 2010 to US\$22,759 million at 31 March 2011. The increase was primarily due to the profit for the year and foreign currency translation movements on foreign currency investments, partly offset by dividend payments.

Financial structure and liquidity

Our strong financial structure gives us adequate resources to facilitate ongoing business along with medium-term flexibility to invest in appropriate growth opportunities and manage the balance sheet.

The group finances its operations through cash generated by the business and a mixture of short and medium-term bank credit facilities, bank loans, corporate bonds and commercial paper. In this way, we avoid over-reliance on any particular liquidity source. We use cash in hand, cash from operations and short-term borrowings to manage liquidity.

The following table summarises our funding structure at 31 March 2011:

	2011 US\$m	2010 US\$m
Overdrafts	(258)	(190)
Borrowings	(8,193)	(9,212)
Derivatives	298	237
Finance leases	(9)	(12)
Gross debt	(8,162)	(9,177)
Cash and cash equivalents	1,071	779
Net debt	(7,091)	(8,398)
Maturity of gross debt:		
Within one year	(1,358)	(1,721)
Between one to two years	(590)	(1,052)
Between two and five years	(4,383)	(4,561)
Over five years	(1,831)	(1,843)

The average maturity of the gross committed debt portfolio is 4.0 years (2010: 4.7 years).

We have undertaken a number of financing activities during the year. On 10 September 2010 a consent solicitation relating to our US\$300 million 6.625% Guaranteed Notes due August 2033 was successfully completed. As a result, MillerCoors was released from its guarantee of payment of principal and interest on these Notes and certain financial thresholds were amended to align with the terms of recently issued SABMiller plc notes.

In October 2010 a US\$515 million 364-day facility expired and was not renewed.

On 29 March 2011 the group's Colombian subsidiary, Bavaria, established a COP2,500,000 million bond and commercial paper programme, to be used primarily to refinance Bavaria's existing COP1,910,320 million bonds by means of an exchange offer under which bondholders were offered new securities in exchange for the existing bonds. The exchange offer was accepted by

bondholders representing approximately 93% of the aggregate face amount of the existing bonds and, on 31 March 2011, Bavaria issued new securities with an aggregate face amount of COP1,881,191 million. The new securities have been registered for trading in the secondary market of the Colombian Stock Exchange and admitted to the official list of the Cayman Islands Stock Exchange.

Subsequent to the financial year end, the group entered into a five-year US\$2,500 million committed syndicated facility on 7 April 2011, with the option of two one-year extensions. This facility replaced the existing US\$2,000 million and US\$600 million committed syndicated facilities, due to expire in December 2012 and May 2011 respectively.

As a result of the expiry of the US\$515 million facility noted above, our committed undrawn borrowing facilities have decreased from US\$3,579 million at 31 March 2010 to US\$3,164 million at 31 March 2011. We have sufficient headroom to enable us to conform to covenants on our existing borrowings and sufficient undrawn committed financing facilities to service our operating activities and ongoing capital investment. Maturing debt in the next 24 months includes a US\$600 million bond maturing in July 2011, a ZAR1,600 million bond maturing in July 2012, a COP370,000 million bond maturing in September 2012 and a number of local bank facilities. Current committed headroom is sufficient to cover all maturing facilities over the next 24 months. We have continued to be able to access sufficient and significant funding from a number of sources and expect to renew maturing facilities as they fall due.

Currency, interest rate, commodity and credit risk management

We manage the risks from foreign exchange, interest rates, commodities and credit risk within a framework of policies approved by the board which are reviewed on a regular basis. Exposures are managed within target hedge levels and reported regularly to the treasury and audit committees.

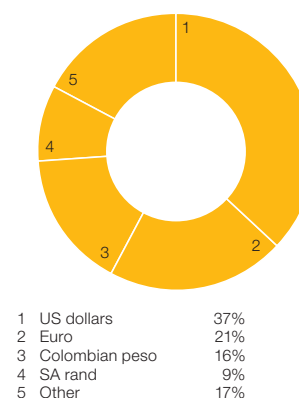
Currency risk

Most of our net assets are denominated in currencies other than the US dollar with the result that our US dollar balance sheet can be significantly affected by currency movements. We seek to mitigate this impact, where cost effective, by borrowing (directly or synthetically) in the same currencies as the functional currencies of our main operating units. We borrow principally in US dollars, South African rand, euros, Polish zloty and Colombian pesos. Other than this, we do not hedge translation exposures.

Our debt profile at 31 March 2011 (after taking account of derivatives) is illustrated in chart (j).

We are also exposed to transactional currency risk on sales and purchases. Committed transactional exposures are fully hedged and a proportion of other transactional exposures for a period of up

(j) Net debt profile



Chief Financial Officer's review

Continued

to 18 months is also hedged; this is principally achieved using forward exchange contracts and foreign exchange swaps.

Interest rate risk

Our policy is to borrow (directly or synthetically) principally in floating rates, reflecting our view that floating rates are generally lower than fixed rates over the medium term. However, in order to mitigate the impact of an upward change in interest rates, the extent to which group debt may be in floating rates is restricted to below 75% of consolidated net debt and is in addition managed to a measure based on the potential impact of adverse moves in interest rates. This policy excludes borrowings arising from recent acquisition activity and inflation-linked debt. As at 31 March 2011, 44% of net borrowings were at fixed rates taking into account financial derivatives, compared with 47% at 31 March 2010. Exposure to movements in interest rates on group borrowings is managed through interest rate swaps and forward rate agreements as well as borrowings in fixed and floating rate instruments.

The weighted average interest rate for the total gross debt portfolio at 31 March 2011 increased marginally to 5.9% (2010: 5.7%) primarily reflecting increases in interest rates in Africa and Latin America during the year, as well as the repayment of some low-cost short-term debt.

Commodity risk

Our policy is to manage both commodity supply and price risk. Commodity supply risk is managed by the setting of minimum coverage levels and principally through supplier contracts. Commodity price risk is managed within minimum and maximum guardrails principally through multi-year fixed price contracts with suppliers and where appropriate derivative contracts. We hedge a proportion of commodity supply and price risk for a period of up to five years. Where derivative contracts are used we manage exposures principally through exchange traded futures, forward contracts and swaps.

Credit risk

Our counterparty credit risks arise mainly from exposure to customers and financial institutions. We limit the exposure to financial institutions arising from cash, deposits of surplus funds and derivative financial instruments by setting credit limits based on the institutions' credit ratings and generally only with counterparties with a minimum credit rating of BBB- and Baa3 from Standard & Poors and Moody's respectively. There is no significant concentration of credit risk with respect to trade receivables as we have a large number of internationally dispersed customers.

Usage of derivative instruments

Our policy only allows the use of derivative instruments to manage the currency, commodity and interest rate risks arising from our operations and financing activities. It is group policy that no trading in financial instruments is undertaken.

Currency

The exchange rates to the US dollar used in the preparation of the consolidated financial statements are detailed in the table below. Most of the major currencies in which we operate strengthened against the US dollar, although the weighted average rates for the European currencies deteriorated somewhat.

	Year ended 31 March		%
	2011	2010	change
Average rate			
South African rand	7.15	7.78	9
Colombian peso	1,881	2,031	8
Euro	0.76	0.71	(7)
Czech koruna	19.04	18.45	(3)
Peruvian nuevo sol	2.81	2.92	4
Polish zloty	3.01	2.99	(1)
Closing rate			
South African rand	6.77	7.30	8
Colombian peso	1,879	1,929	3
Euro	0.71	0.74	5
Czech koruna	17.27	18.87	9
Peruvian nuevo sol	2.80	2.84	1
Polish zloty	2.84	2.86	1

Accounting policies

The principal accounting policies used by the group are shown in note 1 to the consolidated financial statements. Note 1 also includes recent accounting developments, none of which is expected to have a material impact on the group.

In addition, note 1 details the areas where a high degree of judgement has been applied in the selection of a policy, an assumption or an estimate used. These relate to:

- the assumptions used in impairment tests of carrying values for goodwill and intangible assets;
- judgements in relation to provision for taxes where the tax treatment cannot be fully determined until a formal resolution has been reached with the relevant tax authority;
- assumptions required for the calculation of post-retirement benefit obligations;
- estimates of useful economic lives and residual values for intangible assets, property, plant and equipment;
- judgements in relation to the fair values of assets and liabilities on acquisition; and
- judgements as to the determination of exceptional items.

Malcolm Wyman
Chief Financial Officer



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Snow

CR Snow's share of China's beer market increased to 21% with the Snow brand commanding a 19% share and strengthening its presence in the premium segment with brand extensions such as Snow Draft and Brave the World.

www.snowbeer.com.cn

Sustainable development

Building locally, winning sustainably

SABMiller has become one of the world's leading brewers by building successful local businesses. The decisions we take every day affect not only our own success, but also have a tangible impact on local economies, communities and the environment.

Addressing the growing challenges we share with society

Our businesses make their greatest contribution to society by delivering high quality products which consumers enjoy. In doing so, they are creating jobs, paying taxes, building the skills base and demonstrating that business growth and sustainable development can be mutually reinforcing rather than in conflict. Our businesses understand that their profitability depends on healthy communities, growing economies and the responsible use of scarce natural resources. We integrate these issues into the day to day management of our business through our ten sustainable development priorities.

However, we recognise that health, economic and environmental concerns continue to grow around the world, and that to protect and grow our business we need to understand these concerns and play our part to resolve them. Most critically for SABMiller, the increasing focus by both governments and non-governmental organisations (NGOs) regarding social and health challenges, such as alcohol abuse and the influence of excessive alcohol consumption as a risk factor in non communicable diseases, is leading to higher regulatory scrutiny and a strong expectation for businesses to play a greater role in leading action to tackle these problems.

We share common goals with the World Health Organisation as outlined in its Global Strategy to Reduce the Harmful Use of Alcohol, which was adopted by the World Health Assembly in 2010. Our local businesses are committed to engaging in partnerships to tackle the most pressing alcohol abuse concerns in their communities. However, we believe that the narrowing of the global alcohol debate to focus almost exclusively on regulatory actions that would reduce or ban marketing, raise prices through increased excise taxes, and restrict alcohol availability as a means to address its abuse, does not present an effective strategy for tackling the problem. These policies can have the unintended consequence of driving consumers to illicit or unlicensed alcohol. We believe that a broader approach which recognises the critical role of the proper enforcement of existing regulation to prevent drink driving and underage drinking, and reinforcing consumers' awareness of the health risks of drinking to excess and drinking while

pregnant or while taking anti-retroviral drugs has been proven to be more effective.

Driving economic development

In the year, SABMiller generated over US\$21,072 million of economic value, of which the majority was distributed through the course of our business to our employees, shareholders and investors, suppliers and governments, as well as to local communities through our corporate social investment activities.

Our success makes a major direct contribution to local economies. For example, we have distributed dividends of US\$9 million to over 33,000 employees and local retailers in South Africa as part of our Broad-Based Black Economic Empowerment (BBBEE) transaction completed in June 2010.

In our value chains, we are working hard to build the capability of local farmers. For example, in Mozambique, we are developing a new beer brand using locally sourced cassava which we expect to require over 40,000 tonnes of cassava a year, supporting over 1,500 new farmers and their dependents. Across the group, over 28,000 smallholder farmers are involved in similar programmes.

We commission independent research in order to better understand the economic impact we make and how it can be improved. Over the past two years we have produced analyses of our direct and indirect economic contribution, including economic multipliers, in Uganda, Honduras, the Czech Republic, Hungary, Italy, the Netherlands, Poland, Romania, Russia, Slovakia, South Africa, Spain and the United Kingdom. All these studies have demonstrated that our activities make a significant positive contribution to the local economies in which we work.

We recognise a growing interest in the level of taxation that global companies pay. We aim to be transparent on this issue and to pay the right and correct amount of tax according to the laws of each country in which we operate. In the year, total taxes borne and collected by the group amounted to US\$8,400 million (2010: US\$7,000 million). This includes excise taxes, transactional taxes and taxes borne by employees, as well as the share of our US joint venture's taxes. We consider this wider tax

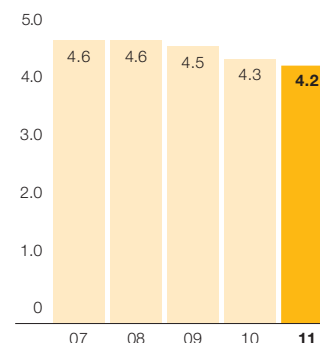
-3%

Water to lager ratio down to 4.2 hl/hl

-3%

Fossil fuel emissions from energy use at our breweries down to 13.8 kgCO₂e per hl

Water to lager ratio
(hl water/hl lager)





Kilimanjaro

Named after the iconic mountain and better known in its home market of Tanzania as 'Kili', this crisp, mild, easy drinking, refreshing natural lager is light in colour with a slightly bitter taste.

Origin: Tanzania
First brewed: 1996

www.kilitimetz.com

footprint to be an appropriate indication of the tax contribution from our operations.

The corporate tax charge for the year was US\$1,069 million, which represents an effective tax rate of 28.2%. This places us in the upper quartile of the FTSE 100 as measured by publicly reported effective tax rates.

The group's presence in many developing economies provides major sources of employment and income and therefore tax revenues. The taxes we pay are split between developed countries (22%) and developing countries (78%).

Building strong action plans and partnerships

We have extensive internal programmes which aim to improve water and energy efficiency, to educate our employees on alcohol responsibility and to raise awareness and engagement around the world on our overall approach under the banner 'Ten Priorities. One Future.'

Internal action alone, however, is not sufficient. Many of the sustainable development challenges we face, from alcohol abuse in communities to water risks, can only be effectively tackled in partnership with experts from NGOs, governments and academic institutions. We believe a collaborative, multi-stakeholder approach can offer different insights and knowledge, and that by working together with a shared purpose we can have a much greater effect than if we just worked alone.

During the year we have expanded our Tavern Intervention Programme in South Africa, which focuses on responsible drinking, gender violence and HIV/Aids awareness, with support of the Global Fund on HIV/Aids, Malaria and Tuberculosis. We have also developed our Water Futures partnership with WWF and GIZ (part of the German government's development agency) to include not only the partnerships in South Africa, Tanzania, Peru and Ukraine, but also to collaborate with local water partnerships with groups such as The Nature

Conservancy in Colombia, Honduras, the USA and with local partners in India.

Our affordability business strategy in Africa, based on the local sourcing of crops such as sorghum and cassava as well as barley, continues to grow and we are pleased to be part of the Government of Tanzania's Southern Agricultural Growth Corridor (SAGOT) project. By including previously subsistence farmers in our supply chains, such as our cassava sourcing project in Southern Sudan with FARM Africa and the Africa Enterprise Challenge Fund, we are expanding market access and driving development.

We are members of Global Action on Harmful Drinking, a worldwide partnership with other major international beverage alcohol producers to address harmful drinking through a combination of global and local actions.

Transparency and ethics

High standards of ethical behaviour and transparency underpin all that we do. SABMiller has a Code of Business Conduct and Ethics which applies to all employees across the group as well as third parties acting on our behalf. Many of our local businesses have their own programmes, such as Bavaria in Colombia which has trained over 14,700 employees, subcontractors and suppliers on business ethics since 2006.

We place a high value on reporting and communicating in an open and honest way to our stakeholders, locally and globally. Twelve of our businesses produce their own sustainability reports and many others provide information online.

In March 2011, we published the findings of a two year project with Oxfam America and Coca-Cola in Zambia and El Salvador to review the 'poverty footprint' of our soft drinks operations in these two countries. The study found that in general human rights and labour standards were well protected and environmental resources were well managed at our

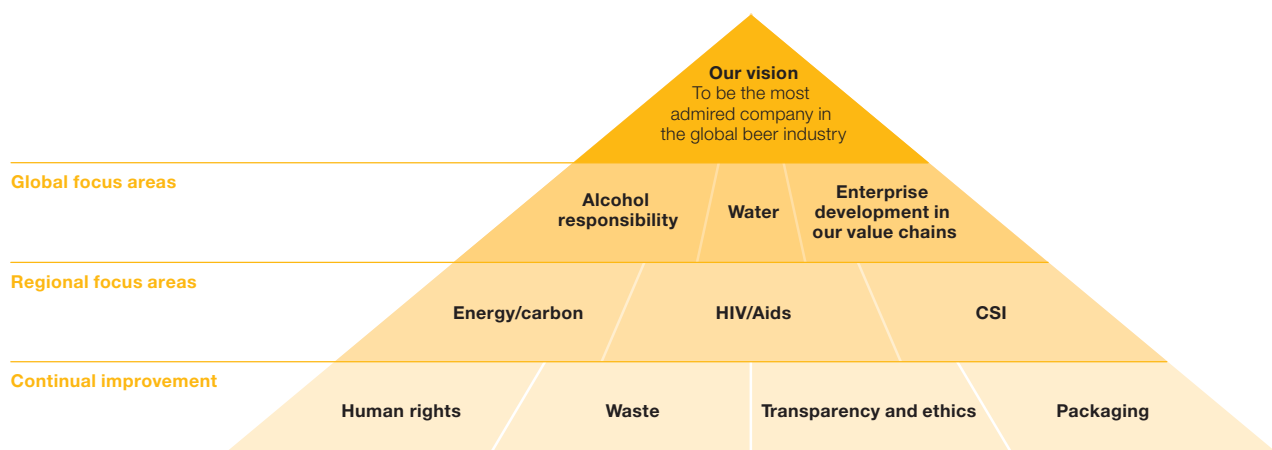
Online

For more information on our approach to sustainable development and our performance, go to our 2011 Sustainable Development Report at www.sabmiller.com

Ten Priorities. One Future.



A focused approach to sustainable development management



Sustainable development

Continued

bottling plants. The report also identified improvement actions in the value chain such as the under representation of women, and health and safety of specific groups such as sugar cane harvesters in El Salvador and independent truck drivers in Zambia. We are already working with Coca-Cola, Oxfam and other local stakeholders to prioritise and address the actions raised in the report.

Monitoring and measuring performance

We structure our management of sustainable development through our ten priorities. Within these we have three areas of particular global focus: to discourage irresponsible drinking; to make more beer using less water; and to encourage enterprise development within our value chains. It is these areas that we believe have the greatest potential to impact on business value, and create the greatest benefits for the communities in which we work.

Our 10 sustainable development priorities also take into account our commitment to the UN Global Compact, as well as our support of the UN Millennium Development Goals.

The group Corporate Accountability and Risk Assurance Committee (CARAC), a sub-committee of the SABMiller plc board, is responsible for overseeing progress against our 10 priorities. Our Sustainability Assessment Matrix (SAM) system provides a regular and detailed assessment of sustainable development performance which informs both business planning and corporate governance through our regional and group CARACs. This year we have taken the SAM system further and added a fifth level – leading edge – to continue to stretch our operations where a sustainable development priority is material and relevant for the local business.

The average score achieved across all priorities was 2.9 this year, an increase from 2.6 last year. Furthermore, our scores have improved against all priorities, with significant increases in performance

in the three areas of alcohol, water and transparency and ethics. More detailed information on our scores by country and priority can be found at www.sabmiller.com/sd.

The water efficiency of our beer operations has improved by 3% over the past year, and 8% since we set our target to reduce water consumption by 25% by 2015 in 2008.

Our carbon emissions from fossil fuel use have reduced by 3% per hectolitre of lager produced. To accelerate this reduction we have put in place detailed action plans based on a review of opportunities available and we are confident that we will meet our target to reduce emissions per hectolitre by 50% by 2020 (compared to the 2008 baseline).

We have also continued to drive down brewery waste and packaging use. For the past two years, MillerCoors disposed of no waste at all to landfill from its breweries at Elkton, Trenton and Irwindale. Furthermore, it has reduced the amount of retail packaging it uses by 5.9 million tonnes over the past year.

Meeting the challenges of a changing world

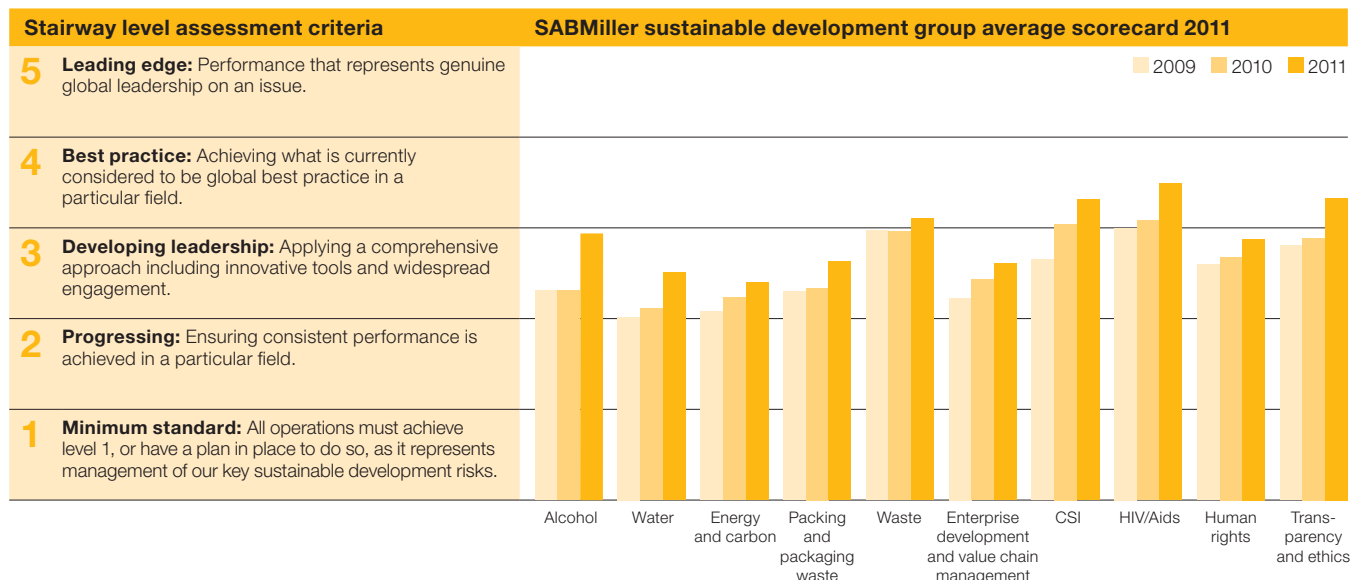
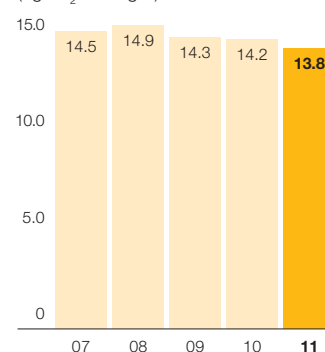
The growth prospects for emerging regions such as China, India, Africa and Latin America remain one of the most compelling global trends of the 21st century. The demands on resources that this growth will require, compel businesses to take a more proactive role in engaging with governments and other stakeholders to develop solutions to environmental, health and other social issues which arise.

Through our strong internal approach to sustainable development and our broad set of partnerships, we are well placed to deliver improved livelihoods for the millions of people that benefit from our value chains across the world.

2.9

Average score achieved against our Sustainability Assessment Matrix (SAM), up from 2.6 last year

Fossil fuel emissions from energy used at our breweries
(kgCO₂e/hl lager)





White Bull

Brewed in Juba by Southern Sudan Beverages Ltd., White Bull is a light, refreshing, carefully crafted lager designed for the diverse Southern Sudanese market. Locals regard the white bull as symbolising power, peace and prosperity.

Origin: Southern Sudan
First brewed: 2009

By working in partnership with NGOs, governments and local stakeholders we can create more value for our business and make a greater difference in our markets than if we worked alone.

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Discouraging irresponsible drinking



Why this is a priority

We want our consumers to enjoy our beer responsibly and we know that the majority do so in moderation. However, we also know that a minority drink too much, drink while under age, drink and drive, and potentially cause harm to themselves and those around them. We work actively across all our markets, often with our stakeholders, to promote responsible drinking and combat alcohol abuse.

Priority in action:

SABMiller is a founding member of the EU Alcohol and Health Forum, a partnership between over 40 companies, NGOs, experts and public institutions whose purpose is to take action against the harmful use of alcohol.

Since 2007, we have undertaken 15 initiatives as part of this. In the past year alone, we have expanded a text messaging programme in Slovakia in partnership with the Slovak Ministry of Transport and Prima, a Slovakian NGO, that by enabling mobile phone users to get information about their blood alcohol content, discourages drink driving; set up an online discussion forum in Italy to provide information on the effects of alcohol consumption; and launched a website in Romania called 'Find Your Balance!' to deliver educational alcohol messages through online debates and live events. We are currently working to include responsibility reminders on our packaging labels and in our commercial communications by December 2011.

Making more beer using less water



Why this is a priority

Water scarcity and availability represents a potentially significant risk to parts of our business, as well as to some of the communities in which we operate. We aim to work collaboratively to protect the watersheds that we share with local communities and on which we depend.

Priority in action:

We have operations in many parts of the world that are at risk from water stress. To protect the production of our beers in some of these areas and to tackle the water related risks we share with the local community, we have established our Water Futures global partnership with the World Wide Fund for Nature and the German government's sustainable development agency, GIZ. The partnership has engaged with local stakeholders in South Africa, Tanzania, Peru and Ukraine to quantify these risks and co-ordinate the development of local action plans in each country. We published our first Water Futures report in September 2010, which included a comprehensive water footprint for the four countries.

The success of this partnership means that we are now seeking to expand this collaboration into other parts of the world with additional partners, incorporating SABMiller initiatives underway in India, Honduras, Colombia, and at MillerCoors in the USA.

Encouraging enterprise development



Why this is a priority

Increasingly we recognise the benefits of sourcing locally and working with suppliers in our own communities. In this way we can make a contribution to the health and economic development of the markets in which we operate.

Priority in action:

In 2009, we commissioned our first brewery in Juba, Southern Sudan. To date, we have created jobs for over 200 local people, and through a pioneering land lease agreement the local community receives royalties from the growth of the brewery. In April 2011, we announced a further investment of US\$15 million, to increase brewing capacity to 500,000 hectolitres a year.

In partnership with FARM-Africa, we have also engaged with 2,000 smallholder farmers to introduce a local sourcing programme to grow cassava which will provide the ingredients we need to brew beer. We estimate that approximately 15,600 people within our value chain could benefit as a result over the next three years.

People

Valuing and empowering our employees

We believe that a healthy, engaged, well trained and motivated workforce with a passion for what they do each day is a key competitive advantage for our local businesses.

Being a flexible, fair and equitable employer

SABMiller employs some 70,000 people from a diverse range of backgrounds and cultures. We aim to treat them all fairly and with respect, to provide a safe working environment and offer access to development opportunities and career progression. These principles apply across our business, and equally to contractors and temporary workers. We acknowledge the value of good labour relations and respect the right of our employees to have union representation. 38% of our workforce are members of a union.

All our permanent employees are paid a fair wage for the work they do and are entitled to paid holiday and sick leave. Some are also entitled to other benefits, including access to company share schemes and life insurance. In many countries, we offer our employees free medical healthcare if they need it. Where HIV/Aids is prevalent, employees and their dependants have access to voluntary testing and counselling, as well as access to managed healthcare programmes (including free anti-retroviral drugs). The same is also true for other infectious diseases, such as malaria and tuberculosis.

In some countries where historically there have been systemic inequalities within local cultures we often work with local partners and governments to redress this balance. In South Africa, for example, we are a strong advocate and supporter of Broad-Based Black Economic Empowerment (BBBEE) and have created thousands of shareholders in SAB Ltd as a result (see page 44).

We have clear policies and processes in place relating to diversity, including ethnicity and gender, and we encourage a culture that is respectful and tolerant of difference, recognising the benefits that a diverse workforce can offer.

19.5% of our employees are female (2010: 19.5%) and over a quarter of executives and managers across the business are women. These proportions have remained broadly unchanged over the last twelve months. At SABMiller plc board level, a third of our independent non-executive directors are women. The brewing industry is traditionally perceived as male-dominated, so we face particular challenges in fostering female empowerment and leveraging our impacts in this area. As such we are working within our own business to address this

issue, as well as in our value chain. MillerCoors, for example, has a number of Employee Affinity Groups (EAGs) that have been established to advance diversity, and promote inclusion and the rights of minority groups, including those of certain women. In South Africa, SAB Ltd has invested over ZAR25 million (US\$3.5 million) on skills development for women in the last year, particularly through its enterprise development initiatives to support small businesses and entrepreneurship.

Safety, health and wellbeing of our employees

Each of our businesses is responsible for ensuring a safe working environment. We have robust systems, including regular audits, to minimise the risk of accidents. In the event of non-compliance our businesses are required to develop action plans to correct this.

During the year we recorded 1,454 industrial injuries, 2% fewer than in 2010. Across the business we lost 13,210 days through injury, down 7% compared with the previous year. These downward trends reflect our ongoing commitment to health and safety as we continue to raise awareness of this issue among employees, aim to ensure appropriate standards and safe working practices and provide better guidance on internal reporting of data.

It is with regret that we report seven employee and contractor fatalities this year. Four of these related to accidents involving vehicles, two related to accidents while undertaking maintenance or repair activities and one was a result of an employee being struck by lightning. In each case, we have undertaken a detailed investigation and as a result we have reviewed our working practices and put in place appropriate measures to minimise the likelihood of such an incident occurring again.

The health and wellbeing of our employees is important to us. From a commercial point of view, absent or unmotivated employees can damage productivity. Independent research undertaken in South Africa, relating to our HIV/Aids programmes, suggested a fourfold return on the investment made by SAB Ltd in terms of reduced absence, and increased productivity.

Within many of our businesses, we make professional medical and counselling services

c.70,000

Number of employees

3.8

Days of training per employee



Cusqueña

Cusqueña is Peru's premium beer. Brewed with 100% pure malt and the highest quality Saaz hops it recalls the mystery and magic of its origins in Cusco, the Inca capital. It is specially made for consumers who value the best.

Origin: Peru
First brewed: 1930

www.cusqueña.com.pe

available to employees and their families who suffer from stress disorders, obesity, alcohol dependence or other related medical conditions, as well as broader employee assistance programmes. In 2010, Cervecería Hondureña opened a second health centre in Honduras to provide a range of healthcare services for employees. To date over 1,500 employees have benefited and our work has been recognised by the Honduran Social Security Institute. In Uganda, Nile Breweries has established an on-site hospital staffed by permanent medical staff to provide treatment for employees, including minor operations and treatment for malaria sufferers.

Preserving brewing skills and knowledge

We have a strong programme of technical training to preserve the art of brewing, as well as to find ways to innovate the way we produce beer. We run a number of schemes, including those through which employees can earn their qualifications to be a master brewer, and encourage brewers to work towards internationally recognised brewing qualifications and professional accreditation, such as those offered by the Institute of Brewing and Distillation.

SABMiller also sponsors the Chair of Brewing Science at Nottingham University's School of Biosciences and has invested £2.7 million in the development of a ground-breaking pilot brewery that will focus on new brewing technologies and processes, while improving its sustainability.



Supporting talent and personal development

In the year ended 31 March 2011, we provided 3.8 days of training for every employee (2010: 4.2 days). Our training curriculum offers over 400 tailored courses across the world, many facilitated by the world's leading educational institutions. For example, leaders of our European businesses have undertaken management development training at Said Business School at the University of Oxford with a particular focus on future challenges facing society. In Africa, we have worked with the Gordon Institute of Business Science, based at the University of Pretoria in South Africa, to provide more regionally focused management training for our future leaders from across our African businesses.

Health and wellness at MillerCoors

MillerCoors offers its employees a comprehensive health and wellness programme, with the rationale that healthy employees can help control the rising costs of healthcare and that a healthy workforce is more productive. Employees who participate in the programme are given reduced health care costs.

To be eligible, employees must go through an on-line assessment and biometric screening measuring blood pressure, cholesterol, blood sugar and body mass index numbers, as well as complete one of three health improvement programme requirements, such as workout schedules, one-on-one health coaching, and a walking programme.

The company also has a fully staffed on-site medical facility, fitness centre, employee assistance programme (EAP), and numerous clubs and events to promote health and wellness. The EAP programme at MillerCoors offers employees free assistance and support for depression, anxiety and stress, substance abuse, as well as parenting and family issues, including child and elder care.

To find out more please visit
www.sabmiller.com



Training our employees on alcohol responsibility

We expect our employees to maintain high standards of personal conduct with regard to alcohol consumption. We ask them to set an example, which in turn enables us to be a credible voice in the debate surrounding irresponsible drinking and reducing alcohol abuse.

Our training to enable this consists of a two-part programme – Alcohol Behaviour and Communication (AB&C) and Alcohol Intelligence Quotient (AIQ) – and aims to embed our principles, policies and best practice across the group. Each of our local businesses is able to adapt their training to make it appropriate for their market and local circumstances. In many cases, this is extended into the local community. For example, in Angola local stakeholders, including those from local government and the police, were invited to an employee training session in February 2011.

During the past year, our businesses have trained on average more than 80% of their employees in alcohol responsibility. In a recent employee survey 88% said that they understood our alcohol policy and that they thought it was important for SABMiller's success now and in the future.

To find out more please visit
www.sabmiller.com



Board of directors



Graham Mackay (61) ● ▲
BSc (Eng), BCom
Chief Executive

Graham Mackay joined The South African Breweries Limited (SAB Ltd) in 1978 and has held a number of senior positions in the group, including Executive Chairman of the beer business in South Africa.

He was appointed Group Managing Director in 1997 and Chief Executive of South African Breweries plc upon its listing on the London Stock Exchange in 1999.

He is the Senior Independent Non-Executive Director of Reckitt Benckiser Group plc and a director of Philip Morris International Inc.



Malcolm Wyman (64) ● ▲
CA (SA)
Chief Financial Officer

Malcolm Wyman joined SAB Ltd in 1986, and joined the board as Group Corporate Finance Director in 1990. He was appointed to the board of South African Breweries plc upon its listing on the London Stock Exchange in 1999.

He became Chief Financial Officer in 2001, with responsibility for the group's finance operations, corporate finance and development, and group strategy.

Malcolm will retire at the annual general meeting on 21 July 2011.

He is the Senior Independent Non-Executive Director of Nedbank Group Limited and Nedbank Limited.



Meyer Kahn (71) ● ■
BA (Law), MBA, DCom (hc), SOE
Chairman

Meyer Kahn joined the group in 1966 and occupied executive positions in a number of the group's former retail interests before being appointed to the board of SAB Ltd in 1981. He was appointed Group Managing Director in 1983 and Executive Chairman in 1990. In 1997, he was seconded full-time to the South African Police Service as its Chief Executive, serving for two and a half years. He was appointed Chairman of South African Breweries plc upon its listing on the London Stock Exchange in 1999.

Among other awards, he holds an honorary doctorate in commerce from the University of Pretoria and was awarded The South African Police Star for Outstanding Service (SOE) in 2000.



Mark Armour (56) ◆ ▼
MA, FCA

Mark Armour joined the board in May 2010. He has been the Chief Financial Officer of Reed Elsevier Group plc since 1996 and of its two parent companies, Reed Elsevier PLC and Reed Elsevier NV, having previously been a partner in the London office of Price Waterhouse.

From 2002 until 2004, he was Chairman of The Hundred Group of Finance Directors. He was a member of the Finance and Reporting Working Group of the UK Government's Company Law Review Steering Group, which reported in 2001, and a member of the group appointed by the Financial Reporting Council which produced the Smith Report on Audit Committees in 2003.



Geoffrey Bible (73) ■
FCA (Aust), ACMA

Geoffrey Bible joined the board in 2002 following completion of the Miller Brewing Company transaction. He served as Chief Executive Officer of Altria Group, Inc. from 1994 until April 2002 and as Chairman of the Altria board from January 1995 until August 2002, when he retired. He also served as Chairman of the board of Kraft Foods Inc. from March 2001 until his retirement in August 2002.



Dambisa Moyo (42) ●
BSc, Ph.D, MPA, MBA

Dambisa Moyo joined the board in 2009. She is an international economist and commentator on the global economy and worked at Goldman Sachs for eight years. A Non-Executive Director of Barclays PLC, Lundin Petroleum and Barrick Gold Corporation, Dambisa previously worked at the World Bank in Washington D.C.

Dambisa is a Patron for Absolute Return for Kids (ARK), a hedge fund supported children's charity, and was a director of Room to Read and the Lundin for Africa Foundation until 2010.



Carlos Alejandro Pérez Dávila (48) BA, MPhil

Carlos Pérez joined the board in 2005, following completion of the Bavaria transaction. He is a Managing Director at Quadrant Capital Advisors, Inc., and serves on the board and executive committee of Valorem S.A. He is also a director of Caracol Television S.A., Comunican S.A., Cine Colombia S.A. and the Queen Sofia Spanish Institute. He was previously an investment banker at Goldman Sachs, S.G. Warburg & Co. and Violy, Byorum & Partners.



Rob Pieterse (68) ●

Rob Pieterse joined the board in 2008. He is chairman of the supervisory boards of Mercurius Groep B.V., and Royal Grolsch N.V. and is a member of the supervisory board of CSM N.V.

He spent 25 years at the multinational information services company, Wolters Kluwer N.V., where he was Chairman from 2000 until 2003. He was a Non-Executive Director of Mecom Group plc between 2007 and 2009 and has previously been a member of the supervisory boards of Connexion Holding N.V., Essent N.V. and Koninklijke Wegener N.V. From 1999 to 2011, he served on the board of VEUO, the association of Dutch listed companies, and until April 2011, he served on the board of EuropeanIssuers.



Cyril Ramaphosa (58) ● ■
Bproc LLD (hc)

Cyril Ramaphosa joined the board of SAB Limited in 1997 and was appointed to the board of South African Breweries plc upon its listing on the London Stock Exchange in 1999. He is the founder and chairman of Shanduka Group and Joint Non-Executive Chairman of Mondi Group. He holds directorships in Lonmin Plc, Macsteel Global B.V., MTN Group Ltd, The Bidvest Group, Standard Bank and Alexander Forbes and serves on the board of the Commonwealth Business Council.

He is a former Secretary General of the African National Congress (ANC) and was chairman of the Constitutional Assembly, which negotiated South Africa's first democratic constitution.



Alejandro Santo Domingo Dávila (34) ■ BA

Alejandro Santo Domingo joined the board in 2005, following completion of the Bavaria transaction. He is a Managing Director at Quadrant Capital Advisors, Inc., and serves on the boards of Valorem S.A., Comunican S.A. and Caracol Television S.A. He is the treasurer of Aid for AIDS Charity, a member of the board of trustees of The Metropolitan Museum of Art and is also a member of the board of the US-based DKMS Americas Foundation and WNET (Channel Thirteen).



Dinyar Devitre (64) ▼
BA (hons), MBA

Dinyar Devitre joined the board in 2007 as a nominee of Altria Group, Inc. He is a member of the board of Altria. Between April 2002 and March 2008 he was Senior Vice President and Chief Financial Officer of Altria and prior to his appointment to this position had held a number of senior management positions within the Altria group. He is a director of Western Union Company, Emdeon Inc. and a special advisor to General Atlantic LLC. He was a director of Kraft Foods Inc. from 2002 until March 2007. He serves as a Trustee of the Brooklyn Academy of Music, is a director of the Lincoln Center for the Performing Arts, Inc and is a Trustee Emeritus of the Asia Society.



Lesley Knox (57) ◆ ▼
MA

Lesley Knox joined the board in May 2011. She is Chairman of Alliance Trust PLC, a Trustee of the Grosvenor Estates, Chairman of Grosvenor Group Limited and the Senior Non-Executive Director of Hays plc. Between 1981 and 1996 Lesley worked at Kleinwort Benson, first in corporate finance, where she became a director in 1986, and then as Chief Executive of the institutional asset management business. In 1997 she moved to the British Linen Bank, becoming Governor in 1999, and was subsequently a founder director of British Linen Advisers from 1999 to 2003. She has held a variety of non-executive directorships and is involved with a number of arts and charitable organisations.



John Manser (71) ● ◆ ◆ ▼
CBE, DL, FCA

John Manser joined the board in 2001. He is Chairman of Shaftesbury PLC and was Chairman of Intermediate Capital Group plc and Deputy Chairman of Colliers CRE plc until 2010. He was previously Chairman of Hiscox Investment Management Ltd, London Asia Chinese Private Equity Fund Limited and Robert Fleming Holdings Limited, a former member of the President's Committee of the British Banking Association, a director of the Securities and Investments Board between 1986 and 1993 and is a past Chairman of the London Investment Banking Association.



John Manzoni (51) ● ◆ ◆
BEng, MEng, MBA

John Manzoni joined the board in 2004. He is President and Chief Executive Officer of Talisman Energy Inc. Prior to joining Talisman in September 2007 he was Chief Executive of Refining and Marketing of BP plc. He joined BP in 1983 and was appointed to the BP plc board in January 2003. He is a member of the Accenture Energy Advisory Board.



Miles Morland (67) ◆ ◆ ▼

Miles Morland joined the board in 1999. He is founder and Chairman of two companies investing in Africa, Blakeney Management and Development Partners International. He is also a director of various companies investing in the emerging world.



Helen Weir (48) ▼
CBE FCMA

Helen Weir joined the board in May 2011. She was Group Executive Director – Retail at Lloyds Banking Group plc until May this year. She originally joined Lloyds as Group Finance Director in 2004, and took over responsibility for the Retail bank in 2008. From 2000 until 2004, she was Group Finance Director of Kingfisher plc, and before that Finance Director of B&Q, which she joined in 1995. Helen spent her early career at Unilever and McKinsey & Co. She has previously held a number of non-executive directorships, including Royal Mail Holdings and the City of London Investment Trust. She is a member of the Said Business School Advisory Council, and was previously a member of the Accounting Standards Board. She is a Fellow of the Chartered Institute of Management Accountants.



Howard Willard (47) ●
BA (hons), MBA

Howard Willard joined the board in 2009 as a nominee of Altria Group, Inc. He is Executive Vice President and Chief Financial Officer of Altria Group and is responsible for the Accounting, Tax, Treasury, Audit, Investor Relations and Finance Decision Support and Budgeting organisations. He also oversees the financial services business of Philip Morris Capital Corporation and the Strategy and Business Development organisation. Prior to this he was Executive Vice President, Strategy and Business Development for Altria. Additionally he has held various leadership positions at Philip Morris USA Inc. in Finance, Sales, Information Services and Corporate Responsibility. Before joining the Altria family of companies in 1992 he worked at Bain & Company and Salomon Brothers Inc. He currently serves on the board of the YMCA of Greater Richmond.



Jamie Wilson (52)
LL.B.(Hons), CA, ATII

Jamie joined SABMiller in 2005 and has held a number of senior positions in the group, including Senior Vice President, Market Development and Strategy, Miller Brewing Company, USA; Managing Director, SABMiller Russia; Managing Director for SABMiller's Central European businesses, and most recently Finance Director for SABMiller Europe.

He has 23 years of experience in the global beverage industry, notably Group Finance Director and Managing Director – Operations of Highland Distillers plc; Executive Chairman of Maxxium; Managing Director of Orpar SA, the parent company of Remy Cointreau; Strategy/ Finance Director for Scottish Courage Ltd; and Strategy/ Project Director for Scottish & Newcastle plc.

James ('Jamie') Wilson was appointed Deputy Chief Financial Officer in May 2011 and will become the company's Chief Financial Officer on 21 July 2011.

- Corporate accountability and risk assurance committee (CARAC)
- ▲ Executive committee
- Nomination committee
- ◆ Remuneration committee
- ▼ Audit committee

Executive committee

The executive committee (excom) is appointed by the Chief Executive. It comprises the Chief Financial Officer, divisional managing directors and directors of group functions. Its purpose is to support the Chief Executive in carrying out the duties delegated to him by the board. In that context, excom co-ordinates brand and operational execution and delivers strategic plans and budgets for the board's consideration. It also ensures that regular financial reports are presented to the board, that effective internal controls are in place and functioning, and that there is an effective risk management process in operation throughout the group.



Norman Adami (56)
BBusSc (hons), MBA
Chairman and Managing Director, SAB Ltd

Norman Adami was reappointed Chairman and Managing Director of The South African Breweries Limited (SAB Ltd) in 2008. He first joined SAB Ltd in 1979 and has held a number of senior positions in the group. These include Regional Director, Operations Director, Chairman and Managing Director, SAB Ltd, President and Chief Executive Officer, Miller Brewing Company and President and Chief Executive Officer, SABMiller Americas.



Mark Bowman (44)
BCom, MBA
Managing Director, SABMiller Africa

Mark Bowman was appointed Managing Director of SABMiller Africa in 2007. He joined SABMiller's beer division in 1993 and has held various senior positions in the group. These include Managing Director of SABMiller's Polish subsidiary Kompania Piwowarska S.A., Managing Director of Amalgamated Beverage Industries Ltd (ABI) (now the Soft Drinks Division of SAB Ltd) and Chairman of Appletiser.



Alan Clark (51)
MA, DLitt et Phil
Managing Director, SABMiller Europe

Dr Clark was appointed Managing Director, SABMiller Europe in 2003. He joined SAB Ltd in 1990 as Training and Development Manager. He has since held a number of senior positions in the group, including Marketing Director, SAB Ltd, Managing Director, ABI and Chairman, Appletiser South Africa (Pty) Ltd. Before joining the group, he practised as a clinical psychologist and lectured in psychology at Vista University in South Africa.



Sue Clark (47)
BSc (hons), MBA
Corporate Affairs Director, SABMiller plc

Sue Clark was appointed Corporate Affairs Director, SABMiller plc in 2003. Prior to this, she held a number of senior roles in UK companies, including Director of Corporate Affairs, Railtrack Group from 2000 to 2003 and Director of Corporate Affairs, Scottish Power plc from 1996 to 2000.

Sue is a Trustee of the Clore Social Leadership Programme.



John Davidson (52)
MA, BCL (Oxon)
General Counsel and Group Company Secretary, SABMiller plc

John Davidson joined the group as General Counsel and Group Company Secretary in 2006. Before joining SABMiller, he spent his entire legal career at Lovells, a leading international law firm, where he had been a partner since 1991, specialising in international corporate finance, cross border mergers and acquisitions, and corporate governance advisory work. John is the current Chairman of the GC100 group (the association of general counsel and company secretaries of companies in the FTSE 100).



Nick Fell (57)
BA (hons)
Marketing Director, SABMiller plc

Nick Fell was appointed Marketing Director, SABMiller plc in 2006. Prior to this, he worked for Cadbury Schweppes Plc, as President, Global Commercial Strategy and also as Director of Marketing, Cadbury Trebor Basset. He previously worked for Diageo plc for 15 years in a number of senior roles including Global Brands Director, Johnnie Walker, and Group Marketing Director, Guinness Brewing.



Tony van Kralingen (53)
BA (hons)
Director: Supply Chain & Human Resources, SABMiller plc

Tony van Kralingen was appointed Director: Supply Chain & Human Resources for the SABMiller group in 2008. He joined SAB Ltd in 1982 and has held a number of senior positions in the group. These include Operations Director and Marketing Director, SAB Ltd, Chairman & Chief Executive Officer, Plzenský Prazdroj a.s. and, most recently, Chairman and Managing Director: SAB Ltd. In his current role he is accountable for group procurement, technical and R&D, information technology and human resources.



Karl Lippert (50)
M.Eng (Mechanical)
President, SABMiller Latin America

Karl Lippert was appointed President, SABMiller Latin America in January 2011. He joined the Group in 1992 and has extensive experience in the global brewing industry. Prior to his appointment as President of Bavaria S.A. in Colombia in February 2006, Karl was Managing Director of Kompania Piwowarska S.A. in Poland, and previously held senior positions as Managing Director of Dreher in Hungary, Sales and Distribution Director for SABMiller Europe, and various positions within SAB Ltd in South Africa, including General Manager, Distribution Services Manager and Operations Manager.



Ari Mervis (47)
BCom
Managing Director, SABMiller Asia

Ari Mervis was appointed Managing Director of SABMiller Asia in 2007. He joined SAB's soft drinks division, ABI, in 1989 and has held various senior positions in sales, marketing, finance and general management. He has been Managing Director of Swaziland Bottling Company and Appletiser as well as Managing Director of SABMiller operations in Russia and Australia.

Directors' report

The directors have pleasure in submitting their report to shareholders, together with the audited annual financial statements for the year ended 31 March 2011.

Principal activities and business review

SABMiller plc is a holding company which has brewing and beverage interests across six continents. Our principal subsidiaries, associates and joint ventures are listed in note 35 to the consolidated financial statements. Our principal activities are the manufacture, distribution and sale of beverages.

We are required by the Companies Act 2006 to produce a fair review of our business, including a description of the principal risks and uncertainties we face, our development and performance during the year, and our position at the end of the year. These are all covered in the business review on pages 1 to 42 of this annual report. Other key performance indicators and information relating to environmental matters, employee matters and social and community issues required by the business review are set out in our sustainable development review and people section on pages 44 to 49 of this annual report.

Significant acquisitions, disposals, financing transactions, investments and material developments during the year

In June 2010, pursuant to the Broad-Based Black Economic Empowerment transaction approved by our shareholders in January 2010, our South African subsidiary, The South African Breweries Limited (SAB), issued new shares representing 8.45% of SAB's enlarged share capital to three groups of black participants: SAB employees; black-owned licensed liquor retailers and retail liquor licence applicants, and registered black-owned customers of ABI, the soft drinks division of SAB; and the broader South African community through a newly founded SAB Foundation. At the end of the 10-year transaction period, participants will exchange their shareholdings in SAB for shares in SABMiller plc.

In July 2010, we published an updated base prospectus relating to our US\$5,000 million Euro Medium Term Note Programme. The Programme was originally established in July 2008 and EUR 1,000 million of notes were issued under the Programme in July 2009. No further notes were issued during the period under review.

In August 2010 we announced that our Ghanaian subsidiary, Accra Brewery Limited (ABL), would seek shareholder approval to de-list from the Ghana Stock Exchange and that the group would make an offer to the minority shareholders in ABL to acquire all of their shares. The de-listing was approved by shareholders in September 2010, and became effective in March 2011. As a result of the offer, the group's shareholding in ABL increased from 69.2% to 96.4%, and our effective interest increased from 42.7% to 59.7%.

In September 2010 we announced that a consent solicitation relating to our US\$300 million 6.625% Guaranteed Notes due August 2033 was successfully completed. As a result MillerCoors was released from its guarantee of payment of principal and interest on the Notes and certain financial thresholds were amended to align with other recently issued SABMiller plc notes.

In October 2010, following the effective 'dollarisation' of the Zimbabwean economy in 2009, the end of hyper-inflation and the stabilisation of the economy, we announced that we would include our share of volumes and financial results of our Zimbabwean associate, Delta Corporation Limited, with effect from 1 April 2010. We had ceased to include Delta in our reporting in 2006.

In November 2010 we acquired Cervecería Argentina S.A. Isenbeck, the third largest brewer in Argentina. In the same month we completed the cash acquisition of an 80% effective interest in Crown Foods Limited, a mineral water and juice business, in Kenya.

In February 2011 the merger of Tsogo Sun, our South African hotels and gaming associate, with Gold Reef Resorts Limited was completed. We exchanged our 49% interest in Tsogo Sun for a 39.7%

interest in the enlarged Gold Reef/Tsogo Sun business. At the annual general meeting of Gold Reef Resorts Limited to be held on 15 June 2011, shareholders of Gold Reef will be asked to approve the change of name of Gold Reef to Tsogo Sun Holdings Limited.

In March 2011, our Colombian subsidiary, Bavaria S.A., established a COP2,500,000 million (US\$1,325 million) bond and commercial paper programme, to be used primarily to refinance Bavaria S.A.'s existing COP1,910,320 million (US\$1,012 million) bonds by means of an exchange offer under which bondholders were offered new securities in exchange for the existing bonds. The exchange offer was accepted by bondholders representing approximately 93% of the aggregate face amount of the existing bonds and, on 31 March 2011, Bavaria S.A. issued new securities with an aggregate face amount of COP1,881,191 million (US\$1,006 million). The new securities have been registered for trading in the secondary market of the Colombian Stock Exchange and admitted to the official list of the Cayman Islands Stock Exchange.

Post balance sheet events

In April 2011 we entered into a five year US\$2,500 million committed syndicated facility, with the option of two one-year extensions. This facility replaced our existing US\$2,000 million and US\$600 million committed syndicated facilities, which were both voluntarily cancelled.

In May SpA Birra Peroni agreed to sell its in-house distribution business to the Tuo Group for cash consideration. Completion of the sale is subject to customary conditions precedent.

Also in May 2011, SABMiller Africa BV agreed to sell its 20% shareholding in its associate, Kenya Breweries Limited (KBL), to East African Breweries Limited (EABL) for cash consideration of approximately US\$225 million, subject to EABL disposing of its 20% shareholding in SABMiller Africa BV's subsidiary, Tanzania Breweries Limited, by way of a public offer through the Dar-es-Salaam Stock Exchange. SABMiller International BV also agreed to terminate a brewing and distribution agreement with KBL and KBL will cease to distribute SABMiller's brands in Kenya after a short transitional period.

Directors

The names and biographical details of the current directors are set out on pages 50 and 51. All the current directors served throughout the period, except Mr Armour (who was appointed to the board on 1 May 2010), and Ms Knox and Ms Weir (who were both appointed to the board on 19 May 2011). It is intended that Mr Wyman will retire from the board at the conclusion of the 2011 annual general meeting, and that Mr Wilson will be proposed for election in his place. Lord Fellowes served as a director of the company until his retirement on 22 July 2010, and Ms Doherty served as a director of the company until 31 December 2010. Details of the interests in shares and options of the directors who held office during the period and any persons connected to them are set out in the remuneration report on pages 65 to 75.

Corporate governance

The directors' approach to corporate governance, and statements of our application of the Combined Code on corporate governance are set out in the corporate governance report, which forms part of this directors' report, on pages 57 to 64 and in the remuneration report on pages 65 to 75.

Share capital

During the year, our issued ordinary share capital increased from 1,654,749,852 shares of 10 US cents each to 1,659,040,014 shares of 10 US cents each. 4,290,162 ordinary shares were issued to satisfy the exercise of options granted under our share incentive plans, details of which are shown in note 26 to the consolidated financial statements. At 31 March 2011 we held a total of 72,068,338 ordinary shares in treasury.

In addition, we have had 50,000 deferred shares of £1 each in issue since our incorporation in 1998. None were issued during the year.

Directors' report

continued

Dividends

An interim dividend of 19.5 US cents per share was paid to shareholders on 10 December 2010, in respect of the year ended 31 March 2011. Details of the final dividend proposed by the board for the year ended 31 March 2011 are set out below:

Amount of final dividend proposed by the board:	61.5 US cents per share
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Total proposed dividend for the year ended 31 March 2011:	81 US cents per share
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If approved, the final dividend will be payable to shareholders on either section of the register at 5 August 2011 in the following way:

Dividend payable on:	12 August 2011
Currency of payment:	South African rands – to shareholders on the RSA section of the register, US dollars – to shareholders shown as having an address in the USA and recorded on the UK section of the register (unless mandated otherwise), Pounds sterling – to all other shareholders on the UK section of the register.
Ex-dividend dates:	1 August 2011 for shares traded on the JSE Limited, South Africa. 3 August 2011 for shares traded on the London Stock Exchange (LSE).

The rate of exchange for conversion from US dollars will be calculated on 20 July 2011 and published on the RNS of the LSE and the SENS of the JSE Limited on 21 July 2011.

Note 9 to the consolidated financial statements discloses dividends waived.

Purchase of own shares

At the last annual general meeting, shareholder authority was obtained for us to purchase our own shares up to a maximum of 10% of the number of ordinary shares in issue as at 2 June 2010. This authority is due to expire at the earlier of the next annual general meeting or 22 October 2011, and remains exercisable provided that certain conditions relating to the purchase are met. The notice of annual general meeting proposes that shareholders approve a resolution updating and renewing the authority allowing us to purchase our own shares.

We did not repurchase any shares during the year for the purpose of cancellation, holding in treasury or for any other purpose.

Annual general meeting

Our 2011 annual general meeting will be held at the InterContinental London Park Lane, One Hamilton Place, London W1V 7QY, UK at 11.00am on Thursday 21 July 2011. Copies of the Notice of this meeting may be obtained from our website.

Donations

During the year the group contributed US\$40.5 million to corporate social investment programmes, of which US\$5,050,997 represented charitable donations. Of this amount charitable donations amounting to US\$331,875 were made by SABMiller plc and our UK subsidiary, Miller Brands (UK) Limited, both in the UK and overseas, comprising donations in respect of community development, health and education, the environment and other causes.

It remains our policy not to make donations to political organisations in the European Union. Other political donations are only made by exception, and where permitted by local laws, and must be consistent with building multi-party democracy. No political donations were made during the period.

Bribery Act 2010

We believe that we have robust policies and procedures for combating bribery and corruption throughout the group, but we have conducted a thorough review of the application of our group-wide code of business conduct and ethics to ensure that any changes necessary to comply with the new UK Bribery Act 2010 and the related 'adequate procedures' guidance are identified and implemented before the legislation comes into force on 1 July 2011.

Employment, environmental and social policies

Our aim is to be the employer of choice in each country in which our group companies operate. To achieve this, each operating company designs employment policies which attract, retain and motivate the highest quality of staff. We are committed to an active equal opportunities policy, from recruitment and selection, through training and development, appraisal and promotion to retirement. Within the constraints of local law, it is our policy to ensure that everyone is treated equally, regardless of gender, colour, nationality, ethnic origin, race, disability, marital status, sexual orientation, religion or trade union affiliation. We value the benefits of employing people of different races, genders, creeds and backgrounds. If employees become disabled, efforts are made to allow them to continue in their role, or a suitable alternative role, through making reasonable adjustments.

All employees of all SABMiller group companies must adhere to a code of business conduct and ethics. This sets out our core principles of business conduct and ethics, including being fair and ethical in all our dealings and treating people with dignity and respect. We are committed to the 10 principles of the United Nations Global Compact, which sets out universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. Our website sets out these principles and our progress towards achieving them.

We are committed to regular communication and consultation with our employees and we encourage employee involvement in our performance. We have global distribution of real time news through our global intranet, which is available to all of the group's businesses to help inform employees about what is happening in our global operations. Further information is provided to employees at regional and country level by way of newsletters and electronic communication. Certain employees throughout the group are eligible to participate in the group's share incentive plans.

The sustainable development review on pages 44 to 47 gives an overview of the progress against our 10 sustainable development priorities and of the impact of our business on the environment. More detailed information is provided in our sustainable development report 2011, available on our website.

Research and development

To ensure improved overall operational effectiveness, we place considerable emphasis on research and development in our global technical activities. This enables us to develop new products, packaging, processes and manufacturing technologies. Continued progress was made in our research in the key areas of raw materials, brewing, flavour stability, packaging materials and energy and water saving. Our total investment in research and development in the year under review was US\$7 million (2010: US\$4 million).

Payment of suppliers

Our policy is to pay invoices in accordance with the terms of payment agreed in advance. At the year end, the amount we owed to trade creditors was equivalent to 48.8 days (2010: 48.2 days) of purchases from suppliers.

Overseas branches

SABMiller plc does not have any branches registered overseas.

Going concern and audit

Page 76 details the directors' responsibilities for preparing the consolidated financial statements. As set out in that statement, the directors are satisfied that SABMiller plc is a going concern.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and resolutions proposing their re-appointment and authorising the board to set their remuneration will be submitted to the forthcoming annual general meeting.

Directors' indemnities

The company has granted rolling indemnities to the directors, uncapped in amount, in relation to certain losses and liabilities which they may incur in the course of acting as directors of the company or of one or more of its subsidiaries. The company secretary and deputy company secretary have also been granted indemnities, on similar terms, covering their roles as company secretary and deputy company secretary respectively of the company and as directors or as company secretary of one or more of the company's subsidiaries. The board believes that it is in the best interests of the group to attract and retain the services of the most able and experienced directors and officers by offering competitive terms of engagement, including the granting of such indemnities.

The indemnities were granted at different times according to the law in force at the time and where relevant are categorised as qualifying third-party indemnity provisions as defined by Section 309B of the Companies Act 1985 and Section 234 of the Companies Act 2006. They will continue in force for the benefit of directors and officers for as long as they remain in their positions.

Substantial shareholdings

Details of notifications received by the company in accordance with the Disclosure and Transparency Rules as at 2 June 2011 and of persons with significant direct or indirect holdings known to the company at the year end are set out in the ordinary shareholding analyses on page 170 of this annual report.

Financial instruments

Information on our financial risk management objectives and policies and details of our exposure to price risk, credit risk, liquidity risk and cash flow risk are contained in note 23 to the consolidated financial statements.

Other disclosures required by the Companies Act and the Disclosure and Transparency Rules

We do not have any contractual or other arrangements that individually are essential to the business of the company or the group as a whole.

The structure of our share capital, including the rights and obligations attaching to each class of share and the percentage of the share capital that each class of share comprises, is set out in note 26 to the consolidated financial statements. There are no securities of the company that grant the holder special control rights.

At 31 March 2011, our employees' benefit trust held 7,437,406 ordinary shares in the company. By agreement with the company, the trustees do not exercise the voting rights attached to these shares.

The directors are responsible for the management of the business of the company and may exercise all the powers of the company subject to the articles of association and relevant statutes. Powers of the directors relating to the issuing and buying back of shares are set out in the articles of association. These powers are subject to renewal by our shareholders each year at the annual general meeting.

Our articles of association give the board of directors power to appoint directors. The articles of association may be amended by special resolution of the shareholders. Directors appointed by the board are required to submit themselves for election by the shareholders at the next annual general meeting. Additionally, as disclosed in the corporate governance report on pages 57 to 64, Altria Group, Inc. (Altria) and BevCo Ltd (BevCo) have power under their respective relationship agreements with the company to nominate directors for appointment to the board and certain committees. These relationship agreements also regulate processes applicable in relation to the acquisition or disposal of shares by Altria and BevCo.

Directors' report

continued

We have a number of facility agreements with banks which contain provisions giving rights to the banks upon a change of control of the company. A change of control of the company would also give The Coca-Cola Company certain rights under its bottling agreements with various subsidiaries of the company, and in certain limited circumstances may give China Resources Enterprise, Limited the ability to exercise certain rights under a shareholders agreement in relation to the company's associate CR Snow. A change of control may also give the Molson Coors Brewing Company the ability to exercise certain rights under the MillerCoors operating agreement.

The company does not have any agreements with any director or officer that would provide compensation for loss of office or employment resulting from a takeover.

Our articles of association allow directors, in their absolute discretion, to refuse to register the transfer of a share in certificated form which is not fully paid or the transfer of a share in certificated form on which the company has a lien. If that share has been admitted to the Official List, the board may not refuse to register the transfer if this would prevent dealings in our shares from taking place on an open and proper basis. The board may also refuse to register a transfer of a share in certificated form unless the instrument of transfer is lodged, duly stamped (if stampable), at the address at which our register is held or at such other place as the directors may appoint, and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, is in respect of only one class of share and is in favour of not more than four transferees jointly.

Transfers of shares in uncertificated form must be made in accordance with, and subject to, the Uncertificated Securities Regulations (the Regulations), the facilities and requirements of the relevant CREST system and such arrangements as the board may determine in relation to the transfer of certificated shares (subject to the Regulations).

Transfers of shares listed on the JSE in uncertificated form must be made in accordance with, and subject to, the Securities Services Act 2004, the Rules and Directives of the JSE and STRATE Ltd. Certificated shares may be transferred prior to dematerialisation, but share certificates must be dematerialised prior to trading in the STRATE environment.

Pursuant to our code for securities transactions, directors and persons discharging managerial responsibilities require, and employees may in certain circumstances require, approval to deal in the company's shares.

No shareholder shall, unless the directors otherwise determine, be entitled in respect of any share held by them to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by them to the company in respect of that share remains unpaid. In addition, no shareholder will be entitled to vote if they have been served with a notice after failing to provide the company with information concerning interests in those shares required to be provided under Section 793 of the Companies Act 2006. Restrictions on the rights of the holders of convertible shares and deferred shares are set out in note 26 to the consolidated financial statements.

Votes may be exercised in person, by proxy, or in relation to corporate members, by a corporate representative. The deadline for delivering proxy forms is 48 hours before the time for holding the meeting.

John Davidson

General Counsel and Group Company Secretary
For and on behalf of the board of SABMiller plc

3 June 2011

Corporate governance

Introduction

In this report we describe the directors' approach to corporate governance and how the board applies the Combined Code on Corporate Governance adopted by the Financial Reporting Council (FRC) in June 2008.

The FRC issued a new UK Corporate Governance Code in May 2010 which applies to financial years beginning on or after 29 June 2010. We are not therefore required to report on our application of the new Code for the first time until next year, but if the new Code had applied to the year ended 31 March 2011, we would have reported that we applied all of its principles and provisions, except for the composition of our audit committee, as approved by shareholders, which is as addressed below.

The directors are committed to maintaining the highest standards of corporate governance, which they believe are fundamental to discharging their stewardship responsibilities, and in his statement on pages 6 to 9 of this report, the Chairman reports personally on how we apply the principles of the Code relating to the role and effectiveness of the board.

Application of the Combined Code

The board applied all of the principles and provisions of the Combined Code throughout the year ended 31 March 2011, except that the audit committee did not consist solely of independent directors. Under our relationship agreement, as approved by shareholders in 2002 and in 2005, Altria Group, Inc. (Altria) has the right to nominate a director to the audit committee, and has nominated Mr Devitre, whom the board does not consider to be an independent director for the purposes of the Combined Code.

The board nevertheless considers that the composition of the audit committee remains appropriate, given Altria's interest as the company's largest shareholder, and is satisfied that, having regard to the experience and background in financial matters of Mr Devitre, as a former chief financial officer of Altria, the independence and effectiveness of the audit committee in discharging its functions in terms of the Combined Code continue to be considerably enhanced and not in the least compromised.

Leadership and effectiveness

Board of directors: composition, independence and renewal

The board currently consists of the Chairman (Mr Kahn); nine independent non-executive directors (including Mr Manser, the Senior Independent Director); five non-executive directors who are not considered to be independent; and two executive directors (Mr Mackay, the Chief Executive, and Mr Wyman, the Chief Financial Officer). Short biographies of each of the directors are on pages 50 and 51.

During the year ended 31 March 2011, Mr Armour, an independent non-executive director, was appointed to the board in May 2010. Lord Fellowes retired from the board in July 2010 after 11 years of diligent and committed service. Regrettably, Ms Doherty was obliged to resign as a non-executive director with effect from 31 December 2010, as a result of her appointment as Chief Financial Officer-designate of Reckitt Benckiser Group plc. As Mr Mackay is the senior independent director of Reckitt Benckiser Group plc, it was not thought appropriate for Ms Doherty to continue as a non-executive director of SABMiller plc.

Subsequently, in May 2011, we announced the appointment of two new non-executive directors, Ms Knox and Ms Weir.

Also in May 2011, we announced the planned retirement of Mr Wyman as chief financial officer, and the appointment as his successor of Mr Wilson. Mr Wyman will not seek re-election to the board at the

annual general meeting in July 2011, and Mr Wilson will be proposed for election as a director in his place.

The size and certain aspects of the composition of the board and of the audit, nomination and corporate accountability and risk assurance committees are determined primarily by the terms of our relationship agreements with Altria and with BevCo Ltd (BevCo), a holding company of the Santo Domingo Group, both of which have been approved by the shareholders of SABMiller.

The agreement with Altria limits the size of the board to a maximum of 15 directors, of whom no more than two are to be executive directors, up to three are to be non-executive directors nominated by Altria, up to two are to be non-executive directors nominated by BevCo, and up to eight are to be non-executive directors appointed by the board. The agreement with BevCo allows BevCo to nominate up to two non-executive directors for appointment to the board.

The number of directors on the board currently exceeds the number permitted under our agreement with Altria. Altria has consented to this in order to facilitate the progressive renewal of the board and the broadening of the diversity of background, gender and experience at board level, and to assist the company in applying the provision of the Combined Code that at least half of the directors (excluding the Chairman) should be independent non-executive directors. The board is grateful to Altria for its agreement to permit the maximum number of directors allowed under the relationship agreement to be exceeded for the time being, on the understanding that in the absence of unforeseen circumstances, one longer serving director will retire in 2012, and one will retire in 2013, thereby restoring the number of directors to that envisaged by the agreement, while still applying the provisions of the new Corporate Governance Code.

Altria and BevCo have each exercised their right under their respective agreements to nominate one director for appointment to the nomination committee. Both Altria and BevCo have the right to nominate directors for appointment to the corporate accountability and risk assurance committee (CARAC), which Altria has exercised but BevCo has not, and Altria has the right to nominate one director for appointment to the audit committee, which it has exercised.

Independence

The board considers nine directors – Mr Armour, Ms Knox, Mr Manser, Mr Manzoni, Mr Morland, Dr Moyo, Mr Pieterse, Mr Ramaphosa and Ms Weir – to be independent for the purposes of the Combined Code. The board considers five non-executive directors not to be independent for the purposes of the Combined Code: Mr Bible, Mr Devitre and Mr Willard, as they are nominees of Altria, the company's largest shareholder; and Mr Santo Domingo and Mr Pérez, as they are nominees of the Santo Domingo Group, the company's second largest shareholder. The test of independence under the Code does not apply in relation to the Chairman, Mr Kahn.

Progressive renewal of the board

The board continues to believe that its overall composition remains appropriate, having regard in particular to the independence of character and integrity of all of its directors, and the experience and skills which they bring to their duties.

It is now 12 years since the company listed on the London Stock Exchange, and SABMiller has been fortunate to retain the services of several distinguished non-executive directors – the Chairman, Mr Manser, Mr Morland and Mr Ramaphosa – for all or most of that period. They have provided considerable stability to the board and the board has benefited greatly from the presence of individuals who have over time gained valuable insight into the group, its markets and the industry.

If a director has served for a period of nine years or more, the Combined Code requires the board to consider whether that director continues to be independent. In respect of each of the three independent directors who have served the board for more than

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nine years and are offering themselves for re-election (Mr Manser, Mr Morland and Mr Ramaphosa), the board has therefore considered specifically whether their length of service has compromised their independence. In each case the board has determined that the director concerned remains independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement, and that the independence of character and judgement of each of the directors concerned is not in any way affected or impaired by length of service. The board has also conducted a rigorous review of the performance of the Chairman, Mr Manser, Mr Morland and Mr Ramaphosa and considers that each of these directors continues to bring invaluable integrity, wisdom and experience to the board and to contribute positively to board and committee deliberations. The board is therefore entirely satisfied as to the performance and continued independence of judgement of each of these directors.

The Combined Code recommends that directors who have served for more than nine years should stand for annual re-election. By contrast, the new UK Corporate Governance Code recommends that all directors should stand for annual re-election. Although there is no consensus among UK institutional shareholders on whether annual re-election of the entire board is appropriate or not, the board has decided that all directors should stand for re-election at the next annual general meeting.

The board considers there is an appropriate balance of skills, collective experience, independence, knowledge and gender among the non-executive directors.

How the board operates

Board meetings and attendance

During the year there were six board meetings. Individual directors' attendance at board and committee meetings and at the annual general meeting is set out in the table below. In the few instances where a director has not been able to attend a board or committee meeting, any comments which they have had on the matters to be considered at that meeting have been given in advance to the chairman of the meeting.

Operation of the board

The board sets the strategic objectives of the group, determines investment policies, agrees on performance criteria, and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate

risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through monthly and quarterly performance reporting and budget updates. In addition, members of the executive committee (the executive directors, the divisional managing directors and the directors of key group functions: corporate affairs; marketing; supply chain and human resources; and legal) make regular presentations to the board, enabling directors to explore specific issues and developments in greater detail.

Board and committee meetings are held in an atmosphere of intellectual honesty of purpose, integrity and mutual respect, requiring reporting of the highest standard by management and direct, robust and constructive challenge and debate among board and committee members.

Matters reserved for the board

There is a schedule of matters which are dealt with exclusively by the board. These include approval of financial statements; the group's business strategy; the annual capital expenditure plan; major capital projects; major changes to the group's management and control structure; material investments or disposals; risk management strategy; sustainability and environmental policies; and treasury policies.

The board governs through clearly mandated board committees, accompanied by monitoring and reporting systems. Each standing board committee has specific written terms of reference issued by the board and adopted in committee. The terms of reference of the audit, remuneration and nomination committees are available on the company's website or, on request, from the Company Secretary. All committee chairmen report orally on the proceedings of their committees at the next meeting of the board, and the minutes of the meetings of all board committees are included in the papers distributed to all board members in advance of the next board meeting.

Conflicts of interest

The directors are required to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. In accordance with the Companies Act 2006, the articles of association of the company allow the board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. Procedures are in place for the disclosure by directors of any potential conflicts and for the appropriate authorisation to be sought if a conflict arises. These procedures continue to operate effectively.

Directors' attendance (1 April 2010 to 31 March 2011) and committee memberships

	Independent	Board		Audit		Remuneration		Nomination		CARAC		AGM
		Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
J M Kahn*	N/A	5	6					2	2	1	2	Y
E A G Mackay	N/A	6	6							2	2	Y
M I Wyman	N/A	6	6							2	2	Y
M H Armour	Yes	5	5	4	4	1	1					Y
G C Bible	No	6	6					2	2			Y
D S Devitre	No	6	6	4	4							Y
M E Doherty	Yes	5	5	3	3							Y
Lord Fellowes	Yes	3	3	1	1	2	2					Y
P J Manser	Yes	6	6	4	4	3	3	2	2	2	2	Y
J A Manzoni	Yes	6	6			3	3	2	2	2	2	Y
M Q Morland	Yes	6	6	4	4	3	3	2	2			Y
D F Moyo	Yes	6	6							2	2	Y
C A Pérez Dávila	No	6	6									Y
R Pieterse	Yes	6	6							2	2	Y
M C Ramaphosa	Yes	6	6					2	2	2	2	Y
A Santo Domingo Dávila	No	6	6					2	2			Y
H A Willard	No	6	6							2	2	Y

* Mr Kahn was unable to attend the board and CARAC meetings in September 2010 as they coincided with a day of religious observance.
Ms Knox and Ms Weir are not included in the table as they joined the board on 19 May 2011.

The roles of executive and non-executive directors

The executive directors are responsible for proposing strategy and for making and implementing operational decisions. Non-executive directors complement the skills and experience of the executive directors, bring independent judgement and contribute to the formulation of strategy, policy and decision-making through their knowledge and experience of other businesses and sectors.

Information and training

The Company Secretary is responsible for advising the board, through the Chairman, on matters of corporate governance. The board and its committees are supplied with full and timely information, including detailed financial information, to enable directors to discharge their responsibilities, and the committees are provided with sufficient resources to undertake their duties. All directors have access to the advice of the Company Secretary. Independent professional advice is also available to directors in appropriate circumstances, at the company's expense. None of the directors has sought independent external advice through the company.

Following the appointment of new directors to the board, directors are briefed on the duties they owe as directors to the company, and tailored induction programmes are arranged which involve industry-specific training and include visits to the group's businesses and meetings with senior management, as appropriate. New directors are briefed on internal controls at business unit level and are advised of the legal and other duties they have as directors of a listed company as well as on relevant company policies and governance-related matters. The company is committed to the continuing development of directors in order that they may build on their expertise and develop an ever more detailed understanding of the business and the markets in which group companies operate. Members of board committees are encouraged to attend internal and external briefings and courses on aspects of their respective committee specialisms and regular updates on relevant legal, regulatory, corporate governance and technical developments are presented to committee members at each meeting and, as appropriate, to the full board.

Outside appointments

Non-executive directors may serve on a number of other boards provided that they continue to demonstrate the requisite commitment to discharge effectively their duties to SABMiller. The Chairman and the nomination committee keep under review the extent of directors' other interests to ensure that the effectiveness of the board is not compromised by the extent of external commitments. The board is satisfied that the Chairman and each of the non-executive directors commit sufficient time to their duties as Chairman and directors of the company, respectively.

The board believes, in principle, in the benefit to the company of executive directors and members of the executive committee accepting non-executive directorships of other companies in order to widen their experience and knowledge for the benefit of the company. Accordingly, subject to the agreement of the board, executive directors and members of the executive committee are permitted to accept external non-executive board appointments and to retain any fees received from such appointments.

Mr Mackay is a non-executive director of Reckitt Benckiser Group plc and is the senior independent director and a member of its remuneration committee. He is also a member of the board of Philip Morris International Inc. and serves on three of its committees: compensation and leadership development, finance, and product innovation and regulatory affairs. The board is satisfied that these duties do not impinge on Mr Mackay's commitment and ability to discharge fully his duties to the company, and that his service on the boards of two global consumer product companies, which operate in many of the developed and emerging markets in which the company also has businesses, continues to give Mr Mackay valuable additional insights and knowledge which enhance his ability to fulfil his duties as Chief Executive of the company.

Mr Wyman is the senior independent non-executive director of Nedbank Group Limited, a company whose shares are listed on the Johannesburg Stock Exchange, and of its subsidiary Nedbank Limited. He is the Chairman of the audit committee and a member of the remuneration committee of Nedbank Group Limited. The board is satisfied that Mr Wyman's position with Nedbank, a major South African financial institution, is complementary to his role as Chief Financial Officer and continues to widen his experience and knowledge to the benefit of the company.

Fees earned by Mr Mackay and Mr Wyman from these appointments are set out in the directors' remuneration report.

Chairman, Chief Executive and Senior Independent Director

The roles of Chairman and Chief Executive are separate with responsibilities divided between them, as formalised in their respective letters of appointment, approved by the board. There were no significant changes to the Chairman's external commitments during the year.

The Chairman is available to consult with shareholders throughout the year and, in the month prior to the annual general meeting, he also invites major shareholders to meet him to deal with any issues. The board is kept informed of the views of shareholders through regular updates from the Chairman, the Company Secretary and the executive directors, as well as through the inclusion in the board papers of reports on commentaries of, and exchanges with, shareholders, investor bodies and analysts.

The Senior Independent Director is Mr Manser. He chairs or serves on all four main committees of the board, and is therefore well placed to influence the governance of the company and to meet his responsibilities as Senior Independent Director. The Senior Independent Director serves as an additional contact point for shareholders, and is also available to fellow non-executive directors, either individually or collectively, to discuss any matters of concern in a forum that does not include executive directors or other members of the management team.

In the year under review, the Chairman hosted a meeting of the non-executive directors without the executive directors being present. The Senior Independent Director also held a meeting of non-executive directors without the presence of the Chairman at which, among other things, the performance of the Chairman was discussed.

Board, committee and director performance evaluation

A formal and rigorous evaluation of the performance and effectiveness of the board and its principal committees is carried out each year, led by the Chairman, with input from the Senior Independent Director, and in consultation with other directors and the Company Secretary.

The performance of the Chief Executive is reviewed by the remuneration committee and this review is shared with and considered by the board. The performance of the Chief Financial Officer is reviewed by the Chief Executive and the remuneration committee, and reported on to the board by the remuneration committee. Each non-executive director's performance is evaluated by the Chairman, in consultation with the Senior Independent Director, who in turn consults with the executive directors and the Company Secretary. The Chairman's performance is evaluated against the same criteria by the Senior Independent Director, the non-executive directors and the Company Secretary, taking into account the views of the executive directors.

In considering the contribution of individual directors for the year under review, performance was assessed against the company's selected criteria of strategy, expertise in their field, ethics and governance factors, commitment, profile, knowledge of the industry, and team contribution, culminating in an overall contribution rating, while recognising the importance of the different roles played by individual directors in bringing a balanced overall view to the board. In reviewing the performance of the board and its committees, the

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Chairman and the Senior Independent Director were aligned in their conclusion that, measured against the principal duties expected of it, the board and its standing and ad hoc sub-committees continued to operate effectively and to meet in full their obligations to support management, to monitor performance, and to maintain the board's strategic oversight.

In a meeting of the Chairman, the Senior Independent Director, the committee chairmen and the Company Secretary, the results of the performance and effectiveness evaluations conducted in respect of the board, each of the directors, the Chairman, the Senior Independent Director and each of the board's four standing committees were reviewed. Regarding the board committees, each of the committee chairmen expressed their views regarding the operation of his committee against its terms of reference and the performance and effectiveness of that committee. These views were discussed in an open and constructive manner with recommendations arising from the discussions being brought forward to the board and the respective committees. The conclusion of this meeting was that the board was balanced and operated effectively and that the board committees discharged effectively their duties under their respective terms of reference.

The results of the performance and effectiveness assessment process as outlined above were reviewed in full and approved by the board. Matters identified as requiring further consideration have been addressed, and in particular more time has been made available in the board's agenda for focus on strategic matters by holding an additional "away day" dedicated to strategy.

All directors, except Mr Wyman, will be standing for election or re-election at this year's annual general meeting. The Chairman confirms that each of the existing directors offering themselves for election or re-election continues to perform effectively and to demonstrate commitment to their role. In particular, the Chairman confirms that, in relation to each of the non-executive directors who will have served for over nine years, the board is satisfied with his performance and has determined that the length of their service does not compromise their independence. Mr Manser, as Senior Independent Director, confirms that the Chairman continues to perform effectively and to demonstrate commitment to his role.

The board unanimously recommends to shareholders the election of Mr Wilson as a director, in consequence of his appointment as chief financial officer in succession to Mr Wyman. The board believes that Mr Wilson has an outstanding talent, with a considerable breadth of industry experience, acquired both within SABMiller and the wider alcohol beverage sector, and that he combines a unique operational, commercial and financial perspective with a proven track record in the business. His appointment as chief financial officer will further enhance the commercial focus of the finance function, ensuring that the group is well positioned to leverage value from the range of business capability initiatives that are being progressively implemented throughout the group.

Biographical details of all directors who are standing for election or re-election are included on pages 50 and 51 of this report.

Retirement of directors

The company's articles of association require that new directors are subject to election at the first annual general meeting following their appointment, and directors are subject to retirement and re-election by shareholders every three years. The reappointment of non-executive directors is not automatic. However, the board has determined that for the time being all directors will stand for re-election annually. Independent non-executive directors who have served for nine years will only be asked to stand for re-election if the board remains satisfied both with the director's performance and that nine years' continuous service does not compromise the director's continuing independence.

The Company Secretary

The Company Secretary acts as secretary to the board and its committees and he attended all meetings during the year under review.

The board's committees and the executive committee

The executive committee

The board delegates responsibility for determining and implementing the group's strategy and for managing the group to the Chief Executive, Mr Mackay, who is supported by the executive committee (excom), which he chairs. Excom members are appointed by Mr Mackay, after consultation with the board. The other members of excom are the Chief Financial Officer; the divisional managing directors responsible for managing the group's regional hubs (Africa, Asia, Europe and Latin America); the Chairman and Managing Director of The South African Breweries Limited; the directors of key group functions (corporate affairs; marketing; and supply chain and human resources); and the General Counsel and Group Company Secretary. Excom's purpose is to support the Chief Executive in carrying out the duties delegated to him by the board and, in that context, excom co-ordinates brand and operational execution, delivers strategic plans, budgets and financial reports for the board's consideration and, through the Chief Executive, reports on these matters to the board.

Excom also ensures that effective internal controls are in place and functioning, and that there is an effective risk management process in operation throughout the group.

The audit committee

During the year under review, the audit committee was chaired by Mr Manser, chairman since 2002. Mr Manser qualified as a chartered accountant in 1964 and was made a Fellow of the Institute of Chartered Accountants in 1976. Further biographical information concerning Mr Manser is set out on page 51.

Mr Morland and Mr Devitre served on the committee throughout the year. Mr Morland has been a member of the committee since 13 April 1999 and Mr Devitre since 16 May 2007. Mr Armour was appointed to the committee on 1 May 2010. Lord Fellowes served until his retirement on 22 July 2010 and Ms Doherty served until her resignation on 31 December 2010. The Chairman has recent and relevant financial experience, as does Mr Devitre, having until 31 March 2008 held the position of Chief Financial Officer of Altria, and Mr Armour, being the Chief Financial Officer of Reed Elsevier Group plc, a position he has held since 1996, and of its parent companies, Reed Elsevier PLC and Reed Elsevier NV. Ms Knox and Ms Weir were both appointed to the committee with effect from 19 May 2011, and both have recent and relevant financial experience. Ms Knox has had a successful career in investment banking and asset management, and has served in a wide range of non-executive director positions including having been a member and a chairman of a number of audit committees. Ms Weir was until May 2011 an executive director of Lloyds Banking Group plc, including four years as group finance director, and has previously been group finance director of Kingfisher plc.

The committee met four times during the year. The external auditors, the Chief Executive, the Chief Financial Officer and the Chief Internal Auditor attended each meeting by invitation. Other members of the management team attended as required.

The work of the committee during the year included consideration of the following matters:

- the annual financial statements and the preliminary results announcement for the year ended 31 March 2010 before their submission to the board for approval, including consideration of the group on a going concern basis, with particular reference to balance sheet and treasury considerations;
- the interim financial statements and interim results announcement for the six months ended 30 September 2010;

- areas of significance in the preparation of the financial statements, including exceptional items, impairment reviews, tax provisions, the treatment of costs relating to the group's business capability programme, the re-recognition of the results of the group's Zimbabwe associate and the Tsogo Sun transaction;
- governance and controls in relation to the business capability programme;
- reports from the external auditors on the annual and interim financial statements, the approval of the audit plan and fee proposal for the 2011 year end audit;
- developments in accounting standards and the group's responses;
- the progress of the year's internal audit programme and matters arising;
- the effectiveness of the internal audit function and of the Chief Internal Auditor;
- the group's state of readiness for compliance with section 404 of the US Sarbanes-Oxley Act (although the company is not an SEC registrant and is not required to comply with Sarbanes-Oxley standards);
- the results of the group's bi-annual letters of representation and management's investigation and follow-up of any instances of non-compliance;
- the internal control environment and risk management systems and the group's statement on internal control systems, prior to endorsement by the board;
- revisions to treasury policies and compliance with risk limits;
- material legal developments;
- whistleblowing systems in place within the group and material whistleblowing reports;
- the effectiveness of the external auditors and the recommendation to the board of the reappointment of PricewaterhouseCoopers LLP as the external auditors;
- the appointment of a new audit engagement partner by PricewaterhouseCoopers LLP for the 2012 audit;
- the policy on auditor independence and non-audit services, and consideration of the nature, scope and appropriateness of non-audit services supplied by the external auditors; and
- its terms of reference and effectiveness.

The audit committee reports its activities and makes recommendations to the board. During the year, the audit committee discharged its responsibilities as they are defined in the committee's terms of reference, and has been engaged in ensuring that appropriate standards of governance, reporting and compliance are being met. The committee has advised the board on issues relating to the application of accounting standards as they relate to published financial information.

The Chief Internal Auditor has direct access to the committee, primarily through its chairman. The committee has access to subsidiary company internal audit leadership. The reports of the divisional audit committees are also available to the audit committee. During the year, the committee met at least once with the external auditors and with the Chief Internal Auditor without management being present.

In addition to the review of the committee's performance, terms of reference and effectiveness led by the Chairman of the board, the committee critically reviewed its own performance during the year by means of a questionnaire which each member of the committee completed independently. The committee chairman then reviewed the responses and conducted one-to-one discussions with members of the committee where he felt it was necessary. The results of the self-assessment and any action plans arising were then reported to the board.

The nomination committee

During the year, the nomination committee was chaired by Mr Kahn. Mr Bible, Mr Manser, Mr Morland, Mr Ramaphosa and Mr Santo Domingo were members of this committee throughout the year. Mr Manzoni, an independent non-executive director, was appointed

to the committee with effect from 19 May 2010, and Lord Fellowes stepped down from the committee upon his retirement in July 2010. The committee considers the composition of the board and its committees, the retirement, appointment and replacement of directors, and makes appropriate recommendations to the board.

The nomination committee has continued to evaluate the balance of skills, knowledge and experience of the board and is committed to the progressive renewal of the board through orderly succession. Appropriate succession plans for the non-executive directors, for the executive directors and for senior management were also kept under close review. The committee remains conscious of the need for due regard to be given to diversity when considering appointments to the board. Five of the last seven independent non-executive directors to be appointed by the board were women, and currently one-third of the company's independent non-executive directors are women, and the committee therefore believes that the company is well positioned in terms of the future balance of the board.

Where non-executive vacancies arise, the committee may use the services of external consultants in order to identify suitable candidates for the board to consider. Candidates are shortlisted for consideration by the nomination committee on the basis of their relevant corporate or professional skills and experience. As noted in our last corporate governance report, a strong shortlist for the position filled by Mr Armour in May 2010 was derived after extensive consultation. An external search firm was not involved in this appointment, the committee's engagement of a leading search firm for a similar position not having yielded any suitable candidates. However, in relation to the most recent board appointments, a different external search firm was retained and produced a strong list of candidates, from which Ms Knox and Ms Weir were appointed in May 2011.

In relation to the appointment of Mr Wilson as the new Chief Financial Officer, an external search firm specialising in senior executive recruitment was retained, and worked closely with the executive directors and the nomination committee in a rigorous process over a six month period, to compile and benchmark a shortlist of highly qualified internal and external candidates. After extensive review and consultation, and a detailed assessment and interview process, Mr Wilson was selected as the best qualified candidate to succeed Mr Wyman.

The remuneration committee

During the year, the remuneration committee consisted entirely of independent directors: Mr Morland (Chairman), Mr Manzoni and Mr Manser. Mr Armour, an independent non-executive director was appointed to the committee with effect from 19 May 2010. Lord Fellowes stepped down from the committee upon his retirement in July 2010. Ms Knox was appointed to the remuneration committee with effect from 19 May 2011.

The committee is responsible for the assessment and approval of a broad remuneration strategy for the group and for the operation of the company's share-based incentive plans. This includes determination of short-term and long-term incentives for executives across the group, and the committee is empowered by the board to set short-term and long-term remuneration for the executive directors and members of the executive committee.

The remuneration committee has implemented its strategy of ensuring that employees and executives are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks. To ensure that the executives' goals are aligned to those of the company, share incentives are considered to be critical elements of executive incentive pay. During the year, the committee engaged the services of consultants, Kepler Associates. These consultants have no other connection with the company. At levels below the company's executive committee, the company's management engages other consultants, on a project basis.

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Specifically, during the year the work of the remuneration committee included:

- reviewing trends in global executive remuneration and governance;
- reviewing the key elements and design of the group's long-term incentive schemes (including peer comparator group composition);
- reviewing global benchmarking methodologies and outcomes;
- reviewing and approving performance hurdles for short and long-term incentive awards;
- reviewing and approving long-term incentive awards for executive committee members and all employees;
- reviewing and approving total remuneration for the executive directors and executive committee members; and
- reviewing and approving the draft remuneration report.

More details of the company's remuneration policy and the work of the remuneration committee can be found in the directors' remuneration report on pages 65 to 75.

The corporate accountability and risk assurance committee (CARAC)

Lord Fellowes chaired the committee until his retirement on 22 July 2010 and was succeeded by Dr Moyo. Dr Moyo was a member of the committee throughout the year, as were Mr Kahn, Mr Mackay, Mr Manser, Mr Manzoni, Mr Pieterse, Mr Ramaphosa, Mr Willard and Mr Wyman. Additionally, the Director of Corporate Affairs, Ms Clark, met regularly with the chairman of CARAC to discuss implementation and planning issues, and attended all meetings of the committee.

The objective of CARAC is to assist the board in the discharge of its responsibilities in relation to corporate accountability, including sustainable development, corporate social responsibility, corporate social investment and ethical commercial behaviour. More details of the committee's activities can be found in the sustainable development review section of this report and in the company's separate Sustainable Development Report which is available on the company's website and, upon request, in hard copy.

During the year, the CARAC focused on company-specific and industry issues which are critical to protecting the company's licence to operate.

The disclosure committee

The disclosure committee consists of the Chairman, the Chief Executive, the Chief Financial Officer, the Senior Independent Director and the General Counsel and Company Secretary or the Deputy Company Secretary. The function of the disclosure committee, in accordance with the group's inside information policy, is to meet as and when required in order to assure compliance with the Disclosure and Transparency Rules and the Listing Rules, as guided by the General Counsel, and to ensure that the routes of communication between excom members, the disclosure committee, the General Counsel's office, the company secretarial office and investor relations are clear, and provide for rapid escalation to the disclosure committee and key advisers, and the board, of any decision regarding potential inside information, so that the company is able to comply fully with its continuing obligations under the Disclosure and Transparency Rules and the Listing Rules.

Accountability

The audit committee

A description of the composition, scope of responsibilities and work undertaken by the audit committee during the year is included in the section dealing with the board and its committees.

Relationship with auditors

PricewaterhouseCoopers were appointed as auditors of the company on 8 February 1999, subsequently becoming PricewaterhouseCoopers LLP (PwC) in 2003.

The company has in place a formal policy on auditor independence and non-audit services, with which the external auditors are required to comply, to ensure that the independence of the auditors is not impaired by the nature of non-audit work. The policy stipulates work which is permitted or not permitted to be performed by the auditors, and provides for appropriate approval and oversight processes. As a further safeguard, PwC confirm in a formal report to the audit committee that processes to ensure compliance with this policy are in place and that these processes are monitored regularly. This report includes a statement that, in their opinion, PwC believe that the nature of their non-audit services has not impaired the audit of the company. Note 3 to the consolidated financial statements has a breakdown of non-audit services provided to the group by the auditors for the year under review.

The audit committee is satisfied that, for the period under review, the independence of the auditors has not been affected by the provision of non-audit services. Fees in respect of non-audit services provided by PwC were primarily related to services relating to taxation and our major business capability programme.

In December 2010, the FRC issued revised Guidance on Audit Committees as part of the new UK Corporate Governance Code and, as a consequence, the audit committee reviewed and revised the group's policy on auditor independence and non-audit services. A new policy was adopted with effect from 1 April 2011 which classifies all non-audit services into audit related services (being those services which are effectively required by law or regulation), and other non-audit services, and provides that engagements for other non-audit services are subject to formal pre-approval limits, either by the full audit committee or by the chairman of the audit committee, depending on the quantum, and that all requests for approval be accompanied by a detailed justification as to why the appointment of the external auditors to provide the services is in the best interests of the company, and how auditor independence is proposed to be safeguarded in connection with the provision of those services.

The committee has also implemented a formal system for the review of the effectiveness of the external auditors. This process involves the external auditors presenting to the committee their proposed audit strategy followed by the output of their initial discussions with management. At the audit committee meeting in May, the external auditors present the output of their detailed year-end work. In making its assessment of external auditor effectiveness, the committee reviews the audit engagement letters before signature by management, reviews the external auditors' summary of group and subsidiary issues and management's response to the summary, and conducts an overall review of the effectiveness of the external audit process and the external auditors. This review is facilitated by the use of templates that rate effectiveness across 18 key criteria. Following the review, the committee makes a recommendation to the board on the reappointment of the external auditors by the shareholders. The committee has not adopted a policy on tendering frequency since it prefers to conduct an annual assessment of the auditors' effectiveness. There are no contractual obligations restricting the company's choice of external auditor.

With the signing of the audit opinion in this Annual Report, the audit engagement partner has completed six years in this role. In 2009 the committee requested PwC (pursuant to the Auditing Practices Board's revised ethical standard ES 3 – Long association with the audit engagement) to agree to an extension of the audit engagement partner's tenure by one year, from five to six years. This was sought in order to safeguard the quality of the audit, primarily due to the significant changes to key business processes arising from implementation of the major business capability programme being undertaken throughout the group, and the consequent shift in the profile of operational, tax, compliance and reporting risks. PwC acceded to this request. In the course of this year, a new audit engagement partner has now been appointed for the 2012 audit.

Risk management

The group's risk management system is subject to regular review to ensure compliance with the Combined Code and the Turnbull Guidance (2005) on internal control and risk management.

Risk and the board of directors

The directors are ultimately responsible for the group's risk management system and for reviewing its effectiveness. The risk management system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and there is an ongoing process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by individual group companies and by the group as a whole. This process has been in place for the year under review up to the approval of the Annual Report and Accounts. The principal risks and uncertainties facing the group are set out on pages 20 to 21.

Executive committee

Excom has specific responsibility as the risk management committee for the group's system of risk management. Excom reviews the group's significant risks and subsequently reports to the board on material changes and the associated mitigating actions.

In accordance with the Turnbull Guidance (2005), reviews on the effectiveness of the risk management system were carried out by excom, as the risk management committee, in April and September 2010 and in April 2011.

Enterprise-wide risk management

Excom views the careful and appropriate management of risk as a key management role. Managing business risk to deliver opportunities is a key element of all our business activities, and is undertaken using a practical and flexible framework which provides a consistent and sustained approach to risk evaluation. Business risks, which may be strategic, operational, financial, environmental or concerning the group's reputation, are understood and visible. The business context determines in each situation the level of acceptable risk and controls. We continue to seek improvement in the management of risk by sharing best practice throughout the organisation.

Key features of the group's system of risk management are:

- group statements on strategic direction, ethics and values;
- clear business objectives and business principles;
- an established risk policy;
- a continuing process for identification and evaluation of significant risks to the achievement of business objectives;
- management processes in place to mitigate significant risks to an acceptable level;
- ongoing monitoring of significant risks and internal and external environmental factors that may change the group's risk profile; and
- a regular review by the group of both the type and amount of external insurance that it buys, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

In addition to excom's bi-annual reports to the board on key risks, there is a process of regular reporting to the board through the audit committee on the status of the risk management process. Our approach was strengthened during 2010 by further integrating strategic planning, internal audit and other risk control specialists into line management's risk processes and simplifying risk reporting, and this process of gradual refinement and strengthening has continued during this year.

Key reports include those that identify, assess and monitor strategic and operational risks in each division and on a group basis.

Internal control

The Turnbull Guidance recommends internal control practices for UK listed companies to assist them in assessing the application of the Combined Code's principles and compliance with the Combined Code's provisions with regard to internal control.

The group's systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the group. These include controls in relation to the financial reporting process and the preparation of consolidated accounts, but extend across all areas of operations. They are subject to continuous review as circumstances change and new risks emerge.

Key features of the systems of internal control are:

- the risk management system described in the preceding section;
- written policies and procedures within our businesses, which are detailed in policy manuals;
- clearly defined lines of accountability and delegation of authority;
- minimisation of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- business continuity planning, including preventative and contingency measures, back-up capabilities and the purchase of insurance;
- the company has maintained a state of readiness for compliance with s404 of the Sarbanes-Oxley Act through the identification and testing of key financial controls under its Internal Financial Control (IFC) programme. This is a voluntary initiative, and has led to a further strengthening of internal control systems and processes within the group;
- key policies employed in managing operating risk involve segregation of duties, transaction authorisation, monitoring, financial and managerial and comprehensive reporting and analysis against approved standards and budgets;
- a treasury operating framework which establishes policies and manages liquidity and financial risks, including foreign exchange, interest rate and counterparty exposures, and incorporates central and regional treasury committees that monitor these activities and compliance with the policies. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the audit committee on behalf of the board; and
- a group tax risk and tax operating framework which forms the basis of tax governance across the group and is managed by the group tax function which monitors tax risk and implements strategies and procedures to control it.

Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, review of key financial controls, internal audit reviews and quality assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations and regular reports to the audit committee by the external auditors. The group's divisional finance, control and assurance committees consider the results of these reviews to confirm that controls are functioning and to ensure that any material breakdowns and remedial actions have been reported to the appropriate boards of directors. In relation to the group's associated undertakings or joint ventures, these matters are reviewed at the level of the associates' or joint ventures' boards or other governing committees.

At the half year and at the year end the divisional managing directors and finance directors of all the group's operations, each of the group's functional directors (corporate affairs, legal, marketing and supply chain and human resources) and each of the direct reports to the Chief Financial Officer, are required to submit to the Company Secretary on behalf of the board formal letters of representation on controls, compliance and notification of continuing or potential material financial and legal exposures.

These letters form the subject of reports to the audit committee, and cover all subsidiary companies, as well as MillerCoors and Gold Reef Resorts (Tsogo Sun) which submit tailored letters of representation. Where material, group executives sit on the boards of associated companies. Directors and members of the executive committee also make annual written declarations of interests and are obliged to report without delay any potential or actual conflicts of interest which may arise.

Corporate governance continued

The directors are responsible for the group's systems of internal control and for reviewing their effectiveness annually. The board has conducted a review of the effectiveness of the group's internal controls covering material financial, operational and compliance controls and risk management systems for the year under review. Necessary actions have been, or are being, taken to remedy any significant weaknesses identified from the board's review of the internal control system. The systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. In reviewing these, the board has taken into account the results of all the work carried out by internal and external auditors.

The board, with advice from the audit committee, has completed its annual review of the effectiveness of the system of internal control for the period since 1 April 2010 in accordance with the Turnbull Guidance, and is satisfied that this system is in accordance with that Guidance and that it has been in place throughout the year under review and up to the date of this report.

Internal audit

The global internal audit function consists of the group internal audit team, led by the Chief Internal Auditor, plus regional and country audit functions that operate in each of the group's principal areas of business. The regional and country functions are centrally co-ordinated by the group internal audit team. The country internal audit functions report to local senior finance management but have direct access and accountability to local audit committees, the regional heads of internal audit and the Chief Internal Auditor.

Internal audit activities, all of which are risk-based, are performed by teams of appropriate, qualified and experienced employees. Third parties may be engaged to support audit work as appropriate. The Chief Internal Auditor, who reports functionally to the Chief Financial Officer and who has regular meetings with the chairman of the audit committee, prepares formal reports for each audit committee meeting as to the consolidated activities and key findings of the global internal audit function.

The global internal audit function uses a standardised group-wide internal audit methodology which is in compliance with the 'International Standards for the Professional Practice of Internal Auditing' of the Institute of Internal Auditors. The function operates a formal global quality assurance and effectiveness programme. Accordingly, detailed quality review assessments are performed with regard to the regional and country internal audit teams, to ensure compliance with defined quality and performance measures. This process provides a basis for the annual review of the effectiveness of the global internal audit function and results in a formal report (prepared by the Chief Internal Auditor) to the audit committee to support the committee's formal annual assessment of the effectiveness of internal audit. In addition, a periodic review of internal audit is undertaken by an independent external consultant in accordance with the requirements of the Institute of Internal Auditors.

The audit committee has therefore satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the group, and that continuous improvement in the quality and objectivity of the global internal audit function remains a primary objective of the department.

Whistleblowing measures

All employees in subsidiaries within the group have the opportunity to make confidential disclosures about suspected impropriety or wrongdoing. The Company Secretary or the Deputy Company Secretary, in consultation with the Chief Internal Auditor if appropriate, decides on the appropriate method and level of investigation. The audit committee is notified of all material disclosures made and receives reports on the results of investigations and actions taken. The audit committee has the power to request further information, conduct its own inquiries or order additional action as it sees fit.

Remuneration

A description of the composition, terms of reference and scope of responsibilities and work undertaken by the remuneration committee during the year is included in the section dealing with the board's committees.

A detailed description of the company's remuneration policies is included in the remuneration report on pages 65 to 75 of this annual report.

Relations with shareholders

All shareholders were again encouraged to attend the annual general meeting held in July 2010, which provided shareholders with the opportunity to ask questions of the board and chairmen of all the board committees. At the meeting, all resolutions were put to a poll, with the results being published on the company's website, and on the London and Johannesburg stock exchange news services. As the geographic spread of shareholders inevitably means that not every shareholder can attend a meeting in the UK, a video and a full transcript of the proceedings of the meeting were published on SABMiller plc's website. Similar arrangements are planned for the forthcoming annual general meeting.

The company maintains a dedicated investor relations function which reports to the Director of Corporate Affairs. The investor relations team builds and maintains long-term relationships with institutional investors and analysts and, in partnership with our corporate and divisional management teams and within the scope of regulatory constraints, gives presentations on regional business outlooks and strives to ensure that these are understood across the global equity markets in subsequent one-to-one meetings with investors. Dialogue on sustainable developments and socially responsible investment matters is handled by the Head of Sustainable Development, who undertakes focused meetings with interested investors and stakeholders.

In addition to scheduled management-led programmes in which executives interact with investors and analysts, the Chairman annually contacts all shareholders (or their representatives) holding more than 1% of the issued share capital of the company, to enable him to address any queries which shareholders may have about the governance of the company or non-operational aspects of company strategy. It is also, more broadly, designed to give the board a greater awareness of shareholder concerns. During the year the Chairman and Mr Manser, as Senior Independent Director, accompanied by the Company Secretary, met with a number of institutional shareholders. Alongside the Chairman, the Senior Independent Director and the Company Secretary are also available to discuss issues with shareholders and views expressed are communicated by the Chairman to the board. As part of this initiative the Chairman offers to meet with significant shareholders in the month before the annual general meeting specifically to deal with issues arising from the annual report and notice of the annual general meeting. All non-executive directors of the company are invited to participate in this process. Institutional and shareholder comment on the annual report is conveyed by the Company Secretary to the full board and to the audit and remuneration committees in relation to matters within their respective terms of reference.

John Davidson

General Counsel and Group Company Secretary
For and on behalf of the board of SABMiller plc
3 June 2011

Remuneration report



Miles Morland

Chairman of the remuneration committee

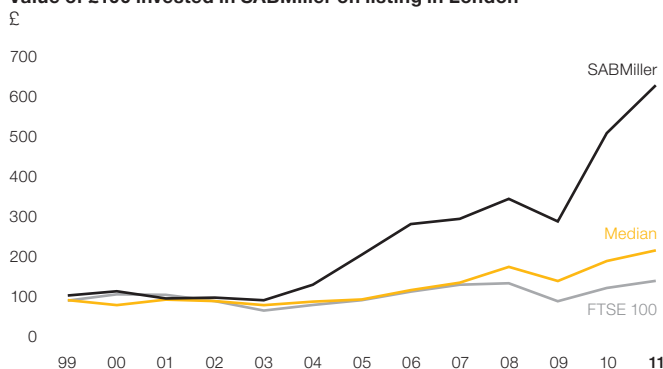
Dear fellow shareholder

It gives me great pleasure to write to you after another year of outstanding business performance to outline for you the principles on which we base our approach to executive remuneration and to explain the thinking behind the remuneration committee's decision-making during the past year.

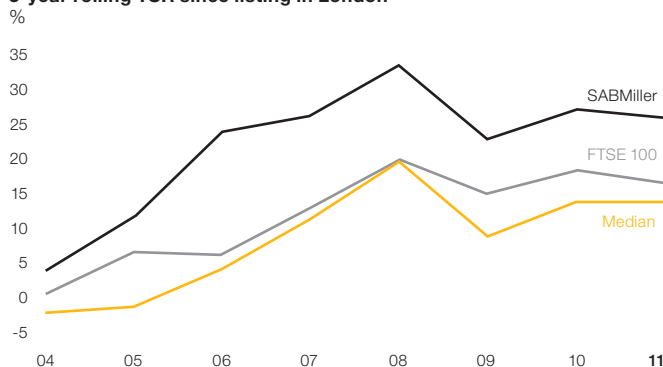
As you know, SABMiller is now one of the two largest brewers in the world, with brewing interests and distribution agreements in more than 75 countries across six continents. Since moving our headquarters to London in 1999 we have grown into a global operation, having built a balanced and advantaged portfolio of businesses, with markets ranging from developed economies such as the USA to fast-growing developing markets in China and throughout Africa.

As shown in the following charts, SABMiller has significantly outperformed both the FTSE 100 and the median of our sector peer group since our listing in London in 1999. £100 invested in SABMiller on listing in London would have grown to £642 as at 31 March 2011, compared with £229 invested in our peer group median, or £153 invested in the FTSE 100 index.

Value of £100 invested in SABMiller on listing in London



5-year rolling TSR since listing in London



Analysis based on 6-month share price averaging, with all dividends reinvested.

Remuneration policies

Our policy continues to be to ensure that executive directors and members of the executive committee are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks, and that their remuneration is appropriate to their scale of responsibility and performance, in order to attract, motivate and retain individuals of the necessary calibre.

We are a global company, with almost all of our revenue being earned outside the UK. We expect our executives to be internationally mobile and to have experience in working in a number of different countries. As a result, we compete for management skills and talent in a global marketplace, and our approach to remuneration takes account of the need to be competitive in the different parts of the world in which the group operates.

A significant element of our executives' remuneration is performance related. 60% of executive directors' short-term incentives are directly linked to challenging annual group financial performance targets, and the balance to specific and measurable individual performance objectives, which are aligned to the group's strategic priorities. The targets for long-term incentives are set by reference to industry benchmark performance, with significant vesting being achieved only if the group outperforms the industry benchmarks.

We are confident that the spread of remuneration over the short, medium and long term, the calibration by reference to sustainable company financial performance measured by growth in earnings per share and in shareholder value, and the use of three to five year performance periods, ensure that management is appropriately motivated to focus on sustainable long-term value creation.

Review of the group's remuneration policies

We explained in some detail in our remuneration report last year the process which we adopted in our review of the overall structure of the group's remuneration policies in 2009/2010. It is worth summarising that here, as we believe that the alignment that it brings in both the short and long term between the interests of management and shareholders is of fundamental importance.

Our aim was to ensure that our remuneration structures remained appropriate and aligned with the group's long-term strategic priorities, namely, to create a balanced and attractive global spread of businesses; to develop strong, relevant brand portfolios that win in the local market; constantly to raise the profitability of local businesses, sustainably; and to leverage our global skills and scale, while at the same time having due regard to core environmental, social and governance issues. We concluded that our policy of agreeing a total remuneration package for each executive director comprising an annual base salary, a short-term incentive in the form of an annual cash bonus, long-term incentives through participation in share incentive plans, and pension contributions and other usual benefits, continued to be appropriate, and that variable pay elements provided by short-term and long-term incentives should continue to form a very significant proportion of executive directors' pay.

However, although we were satisfied that SABMiller's remuneration policy had generally worked well, we decided that we wanted to see more focus on longer term outperformance. To achieve this, and to incentivise management not only to continue to deliver upper quartile performance, but to strive for even greater outperformance for shareholders, we changed the calibration of the TSR-based performance condition so that management would receive nothing for performance which was only at the median of SABMiller's comparator group, but would have the opportunity to benefit significantly for performance which exceeded the upper quartile threshold.

Remuneration report

continued

To achieve this, we adopted a new and much more challenging TSR-based performance condition for our senior executives' long-term incentives, focused on improving alignment with shareholders. We communicated this to shareholders and senior executives as a 'value sharing' performance condition, under which executives have the right to receive a defined number of shares for each £10 million of additional shareholder value delivered over the life of an award. 'Additional shareholder value' means growth in the market capitalisation of SABMiller (after taking account of net equity cash flows) in excess of the performance of the weighted median of a group of peer companies.

However, unlike the previous relative TSR-based performance condition, under which 25% of the awards vested on reaching the median performance of the relevant comparator group, none of the TSR-based element will now vest at median performance. On the other hand, executives will be able to continue earning additional shares if performance exceeds the upper quartile threshold – but with an overall cap at the point at which the outperformance above the median equals the company's market capitalisation at the date of grant. Based on the awards shown in the table on page 75, the value share award for all executives together is capped at circa 0.4% of additional shareholder value created – over and above the median of the comparator group – for any one cycle. This is the maximum theoretical percentage that can be earned in aggregate by the executive directors and the members of the executive committee for any one cycle, with the remaining 99.6% of the extra value created therefore accruing to shareholders – although of course it would be an extraordinary level of outperformance to reach that maximum, as it would involve more than doubling the group's market capitalisation over the three to five year performance period when compared with the comparator group.

Before adopting this approach, we solicited views from the company's 12 largest shareholders and selected institutional investor representative bodies, to provide them with the opportunity to comment on the proposal, and to offer to discuss any concerns or questions which they had. In the light of the comments received, we modified our original proposal by introducing a deferral provision, under which if an executive elects to request the early release of an award after three years but before the end of the five-year period, the shares will only be released to the executive in two or three equal instalments over the balance of the five-year period. We also reduced the number of shares granted to the senior executive team under the value sharing awards, as well as under their share option and earnings per share (EPS) based performance share awards.

In summary, we believe that the calibration of SABMiller's long-term incentives:

- appropriately motivates and rewards performance, by ensuring that management is incentivised not only to continue delivering upper quartile performance but also to strive for sustained performance above that threshold;
- sharpens the relationship between pay and performance; and
- contributes materially towards the sustainable achievement of the group's strategic objectives.

Performance share awards including the new value share awards were made with effect from 1 June 2010, and the new approach was explained in detail in last year's directors' remuneration report. We are pleased that over 91.8% of the votes cast at last year's annual general meeting were in favour of that report, indicating shareholders' support of the committee's approach.

We have made no changes to the level or structure of our remuneration framework this year, and, as to the future, we intend to conduct reviews of the appropriate level and structure of long-term incentives at approximately three-yearly intervals, so, in the absence of exceptional circumstances, the 2011 level of long-term incentives should remain unchanged until the next review in 2013.

Shareholding guidelines

We are sometimes asked by shareholders why we do not impose minimum shareholding requirements on our executive directors, as many other companies do. I can assure shareholders that we have considered this. However, our executive directors, Messrs Mackay and Wyman, already own significant numbers of SABMiller ordinary shares. As at 31 March 2011, Mr Mackay owned 1,402,927 shares and Mr Wyman 567,129 shares, which (based on the value of an SABMiller ordinary share on 31 March 2011 of £22.075) are worth 26 times Mr Mackay's annual base salary and 17.5 times Mr Wyman's base salary. We are therefore of the view that the two executive directors' substantial stakes in the group demonstrably align their interests with those of other shareholders, far in excess of formal shareholding guidelines adopted by any other FTSE 100 company that we are aware of, and that there is no need for us to set any minimum requirement, although we will keep this under review from time to time.

Conclusion

We believe that management's remuneration over the years has been consistent with the performance achieved, with a direct link to our share price growth, both in absolute and relative terms, and to our strong underlying financial and strategic performance. We are confident that our approach to remuneration will continue to incentivise management to deliver superior performance in future years.

Against this background, I commend to you this directors' remuneration report, and hope that we can count on your continued support in achieving our aim to make SABMiller the most admired company in the global beer industry.

Yours sincerely

Miles Morland

Director

Chairman of the remuneration committee

3 June 2011

(The remuneration report continues on pages 67 to 75.)

Information not subject to audit

Composition and terms of reference of the remuneration committee

During the year ended 31 March 2011, the members of the committee were Mr Morland (chairman), Mr Armour, Lord Fellowes, Mr Manser and Mr Manzoni. Mr Bible, Mr Willard, Mr Santo Domingo and Mr Kahn joined some meetings as observers. Also present were the Chief Executive, Mr Mackay, the General Counsel and Group Secretary, Mr Davidson, the Deputy Company Secretary, Mr Shapiro, and the Group Head of Compensation and Benefits, Mr Scoones, except when their own remuneration was discussed. Mr Armour joined the committee on 19 May 2010. Lord Fellowes retired from the board and the committee on 22 July 2010. Ms Knox joined the committee on 19 May 2011.

The committee deals with the remuneration of the executive directors and other members of the executive committee, as well as approving all awards under the company's share incentive plans, in accordance with the terms of reference approved by the board. When setting the remuneration of executive directors, the committee considers corporate performance on environmental, social and governance issues, and the pay and employment conditions of employees throughout the group, and ensures that the incentive structure for senior management does not raise environmental, social or governance issues by inadvertently motivating inappropriate behaviour.

Advisers

In the course of its deliberations, the committee considered the views of the Chief Executive on the remuneration and performance of the members of the executive committee. The Group Secretary and the Group Head of Compensation and Benefits also provided information to the committee on the co-ordination of global pay policies, expatriate and local pay for international deployments, equity usage through share incentive plans, and on legal, regulatory and governance issues.

Kepler Associates is retained by the committee to provide advice on long-term incentive design, information on current market practices, and metrics on performance conditions, specifically relative TSR and other remuneration matters. Kepler Associates does not provide any other advice or services to the group.

Remuneration policies

As outlined in the introductory letter from the chairman of the remuneration committee, the committee's policy is to ensure that executive directors and members of the executive committee are

rewarded for their contribution to the group's operating and financial performance. In setting remuneration levels, the committee takes into account industry, market and country benchmarks, and ensures that each executive's remuneration is appropriate to their scale of responsibility and performance. This helps to attract, motivate and retain individuals of the necessary calibre.

The table and charts below show the ratios of performance-related compensation to base salary and benefits of the executive directors, and the relative value of the different elements, including the bonus and long-term share-based compensation awarded in respect of the year ended 31 March 2011, assuming target or median performance. The ratios accord with the committee's policy on the balance between fixed and variable pay.

The committee considers that alignment with shareholders' interests and linkage to SABMiller's long-term strategic goals is best achieved through a twin focus on earnings per share (EPS) and growth in shareholder value, with a blend of both absolute and relative performance measures. Hence, for executive directors and senior executives, vesting of value share awards are subject to SABMiller's five-year value sharing performance condition, and vesting of performance share awards are subject to three-year adjusted EPS growth, with targets set according to the committee's judgement after considering, among other factors, historical and forecast adjusted EPS growth for SABMiller's peers.

Base pay

The committee reviews the salaries of executive directors at the beginning of each financial year.

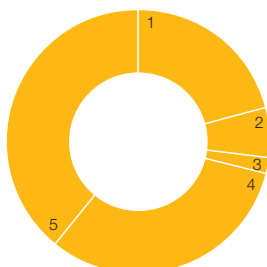
In setting target remuneration levels for the executive directors the committee has regard to the 30 FTSE 100 companies ranked in the 15 places above and below the company by market capitalisation, as well as to pay levels and practices in the company's principal international competitors and, where relevant, in companies comparable in size to the company's divisions in those countries in which the company has a significant presence. The committee also takes into account remuneration levels and practices in the group's own operations. In determining the salaries of the executive directors for the year commencing 1 April 2011, the committee took into consideration the 19% increase in adjusted EPS (23% in sterling terms) achieved in the year ended 31 March 2011, and the recommended 19% increase in the full year dividend to 81 US cents per share, compared with 68 US cents per share for the previous year. The executive directors will receive increases averaging 4.3%, which are broadly in line with the salary increases awarded to other UK-based employees of the company.

Executive remuneration breakdown for the year ended 31 March 2011

	Salary £	Retirement £	Benefits £	Bonus £	LTI £	Total £	Fixed %	Variable %
EAG Mackay	1,192,000	357,600	110,602	1,775,000	2,174,826	5,610,028	30	70
MI Wyman	715,000	214,500	122,902	750,000	1,407,203	3,209,605	33	67

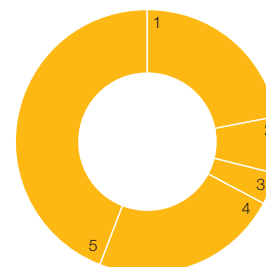
EAG Mackay

1	Salary	21%
2	Retirement	6%
3	Benefits	2%
4	Bonus	32%
5	LTI	39%



MI Wyman

1	Salary	22%
2	Retirement	7%
3	Benefits	4%
4	Bonus	23%
5	LTI	44%



Remuneration report

continued

Details of the executive directors' salaries from 1 April 2011 and the percentage changes from those in the year ended 31 March 2011 are shown in the table below:

Executive directors as at 31 March 2011	2011 Salary £	2012 Salary £	% change from 2011
EAG Mackay	1,192,000	1,245,000	4.4
MI Wyman	715,000	745,000	4.2

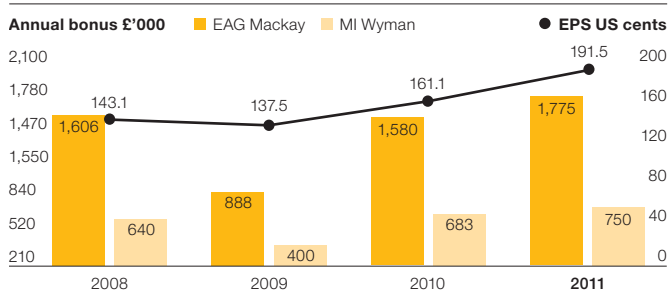
The committee also received advice from Kepler Associates, from the Chief Executive and from the Group Head of Compensation and Benefits on appropriate pay levels for the other members of the company's executive committee. For executives based in the UK, salaries were determined by reference to appropriate UK benchmarks, and for executives whose primary responsibilities are for the operations of business units outside the UK, part of their base pay was determined by reference to appropriate benchmarks in their theatres of operation and the balance by reference to UK pay levels, given that part of their time is spent on the management of the group's global business with international responsibilities.

Short-term incentive plans

The executive directors and members of the executive committee participate in an annual short-term incentive plan which delivers a cash bonus based upon the achievement of group and (where applicable) divisional financial targets, and on strategic and personal performance objectives agreed by the committee. The Chief Executive may earn a bonus of up to 175% of base salary. The Chief Financial Officer may earn a bonus of up to 120% of base salary and other executive committee members may earn maximum bonuses of between 120% and 150% of their base salary depending upon local market practices in the locations where they are based.

The group financial performance targets for the executive directors and UK-based members of the executive committee relate to a mixture of adjusted EPS growth, EBITA and working capital management targets. The committee believes that linking short-term incentives to profit, earnings per share growth and working capital management reinforces the company's business objectives. The divisional targets for executive committee members whose primary responsibilities are for the operation of business units outside the UK vary according to divisional value drivers consistent with the group's strategic priorities, and accordingly include both financial and non-financial targets such as divisional EBITA, sales volume, working capital management and other appropriate measurements. Financial and quantitative performance targets comprise 60% of each individual's incentive bonus potential. The strategic and personal performance objectives which make up the remaining 40% are specific and measurable. In setting individual strategic and personal targets, the committee has discretion to take into account all factors that it considers appropriate, including environmental, social and governance issues.

Pay and performance



	2008			2009			2010			2011		
	Bonus £	% of salary	% of max.	Bonus £	% of salary	% of max.	Bonus £	% of salary	% of max.	Bonus £	% of salary	% of max.
EAG Mackay	1,606,000	157	90	888,000	81	46	1,580,000	138	79	1,775,000	149	85
MI Wyman	640,000	104	87	400,000	61	51	683,000	99	83	750,000	105	87

At its meeting on 16 May 2011, the committee reviewed the performance of the executives participating in the short-term incentive plans. In light of the achievement of group financial targets and the levels of achievement of strategic and personal objectives, the committee agreed in respect of the year ended 31 March 2011 the level of bonuses to the executive directors as shown below (with the levels for the three preceding years also included in the table to illustrate the linkage with group financial achievement):

Periodic review of the group's remuneration policies

As outlined in the Chairman's introductory letter the committee's intention is that reviews of the appropriate level and structure of long-term incentives are expected to be conducted at three-yearly intervals, and, in the absence of wholly exceptional circumstances, the 2011 level of long-term incentives should remain unchanged until the next review in 2013.

Long-term incentive plans

The descriptions of the long-term incentive plans in the section below have been audited.

The company has the following share incentive plans currently in active operation, all of which were approved by shareholders at the 2008 AGM. The share plans which were introduced at the time of the company's primary listing on the London Stock Exchange in 1999 have now closed, and no new grants can be made under them.

- Approved Executive Share Option Plan 2008
- Executive Share Option Plan 2008
- South African Executive Share Option Plan 2008
- Executive Share Award Plan 2008
- Stock Appreciation Rights Plan 2008
- Associated Companies Employees Share Plan 2008

Share option plans

Share options are granted at market price at the time of grant. Options granted under the South African Executive Share Option Plan 2008 are denominated in South African rand and are granted over SABMiller plc ordinary shares as traded on the Johannesburg Stock Exchange. Grants of share options are usually made annually to eligible employees at the discretion of the remuneration committee taking account of management's recommendations about employees' performance and future potential, and of local market practices, to ensure competitiveness. Share options typically vest over a three-year period and expire on the tenth anniversary of the grant date. The table on page 73 gives details of the share options held by executive directors during the year ended 31 March 2011, including details of the performance conditions.

Performance share award plans

The company currently operates the SABMiller Executive Share Award Plan 2008 (the Award Plan) to make awards of value and performance shares to members of the executive committee (including the executive directors) and other eligible senior executives taking account of management's recommendations about the employee's performance, future potential and local market practices. Awards under the Award Plan to members of the executive committee in the year ended 31 March 2011 were made in two parts. The first part (Value Shares) vests on the fifth anniversary of the grant date, subject to the value sharing performance condition. Participants may elect to crystallise the level of vesting at quarterly intervals following the third anniversary of the grant date, subject to deferral and clawback provisions which mean that vested shares are only released in equal increments each year during the period up to the fifth anniversary. As in prior years, the second part of the award (Performance Shares) vests in a single tranche on the third anniversary of the grant date,

subject to an EPS based performance condition. Further details on value and performance share awards made to executive directors and the respective performance conditions can be found in the tables on pages 73 to 75.

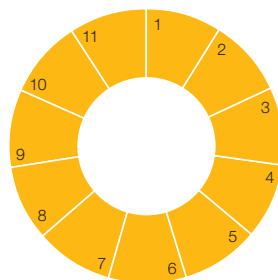
The Award Plan and the older performance share schemes are operated in conjunction with the company's Employees' Benefit Trust (EBT). The trustee of the EBT grants awards in consultation with the company.

For the purpose of calculating TSR and additional shareholder value, the share prices and dividends of the comparator companies are converted, as necessary, into sterling at the exchange rates prevailing at the relevant times. The conversion into sterling is intended to remove distortions arising from differing rates of inflation in the countries in which the comparator companies are listed. TSR and the relevant statistical quartiles are determined in accordance with current market practice, using three averaging periods for awards granted before June 2010, and six months for awards granted in June 2010 and subsequently. The companies comprising the TSR comparator group for all the performance share awards which had not yet vested or lapsed as at 31 March 2011 are listed below:

Comparator group for outstanding TSR based performance share awards granted before June 2010:

Current constituents:

- 1 Anheuser-Busch InBev
- 2 Asahi Breweries
- 3 Carlsberg A
- 4 Constellation Brands
- 5 Diageo
- 6 Foster's Group
- 7 Heineken
- 8 Kirin Holdings
- 9 Molson Coors
- 10 Pernod Ricard
- 11 Sapporo Breweries



Former constituents removed from the comparator group:

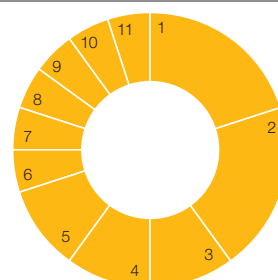
- Anheuser-Busch (acquired by InBev)
- Femsa UBD (acquired by Heineken)
- Grolsch (acquired by SABMiller)
- Lion Nathan (acquired by Kirin Holdings)
- Scottish & Newcastle (acquired by Heineken and Carlsberg)

For 2010 and subsequent awards, those companies considered to be the most significant competitors of SABMiller (and therefore the best comparators for benchmarking company performance) are weighted more heavily. The weighting of comparators for value share awards granted in June 2010 was:

Current constituents:

Company Weighting

- | | | |
|----|----------------------|-----|
| 1 | Anheuser-Busch InBev | 20% |
| 2 | Heineken | 20% |
| 3 | Molson Coors | 10% |
| 4 | Carlsberg A | 10% |
| 5 | Diageo | 10% |
| 6 | Asahi Breweries | 5% |
| 7 | Constellation Brands | 5% |
| 8 | Foster's Group | 5% |
| 9 | Kirin Holdings | 5% |
| 10 | Pernod Ricard | 5% |
| 11 | Sapporo Breweries | 5% |



Kepler Associates undertakes each year the assessment of the company's TSR performance relative to the comparator group, and the methodology used and the final results for each award are subject to review and verification by the company's auditors.

The Stock Appreciation Rights Plan is used principally for a small number of executives based in the group's Miller Brewing International operations, outside the MillerCoors joint venture, and the Associated Companies Employees Share Plan is used to grant long-term share-based incentives to a limited number of employees of certain associated companies in the group who are not eligible to receive awards under the company's share option and share award plans because they do not work for subsidiaries of the company.

Dilution

Including all shares issued in satisfaction of share option exercises over the ten years ended 31 March 2011, and all outstanding share options capable of being satisfied by the issue of new shares, potential dilution amounts to 3.6% of the issued ordinary shares of the company (excluding shares held in treasury) on 31 March 2011. Obligations under the company's other long-term incentive plans are typically settled by the EBT from shares transferred from treasury or purchased in the market.

Employees' Benefit Trust

At 31 March 2011 the number of shares held in the EBT was 7.4 million (2010: 8.7 million), representing 0.47% (2010: 0.55%) of the issued ordinary shares of the company.

These shares are held by the trustee on behalf of the EBT to ensure that the EBT holds sufficient ordinary shares to meet potential future obligations in respect of performance and value share awards and share-settled share appreciation rights. The trustees of the EBT have waived their right to receive dividends on shares held by them, and will only vote shares or claim dividends on shares which are beneficially owned by a participant in a share incentive plan, and only then in accordance with the instructions of the underlying shareholder. As at 31 March 2011, there were no beneficially held shares in the EBT (2010: 0.3 million).

Pensions

It is the company's policy to provide money purchase occupational retirement funding schemes wherever possible so as to minimise the company's funding risk. Where feasible, the company applies this policy to new acquisitions.

The rate of contribution from the company as a percentage of base salaries paid in sterling is set at 30% for the executive directors. Historically, the company has made contributions for the executive directors to the SABMiller plc Staff Pension Scheme, an approved occupational pension scheme in the UK, to the extent allowed in light of the changes to pension allowances that took effect in 2006, with any excess being credited in an unfunded corporate plan. In the year ended 31 March 2011, in light of the uncertainty surrounding the UK government's review of the tax treatment of retirement contributions, the company paid Mr Mackay and Mr Wyman the equivalent of their pension contributions (being £357,600 and £214,500 respectively) in the form of a cash allowance for the year, with the company and the individuals paying their respective shares of national insurance and income tax on these amounts as if they were salary. For the year beginning 1 April 2011, the remuneration committee has determined that because no further contributions can now be made to the SABMiller plc Staff Pension Scheme on behalf of Mr Mackay or Mr Wyman because of the reduction in the lifetime allowance, the executive directors' pension entitlements will be satisfied by making further notional credits in an unfunded corporate plan. Further details on executive directors' pension contributions during the financial year are on page 72.

Remuneration report

continued

Service contracts

Mr Mackay and Mr Wyman have service contracts with the company which are terminable on not less than 12 months' notice to be given by the company or by the executive. Payment in lieu of notice may be made on termination of employment, calculated by reference to the executive's base salary plus company pension contributions for the relevant period, less any deduction considered by the company to be appropriate and reasonable to take account of accelerated receipt and the executive's duty to mitigate his loss.

	Execution date of service contract	Date first appointed to the board	Date last re-elected as a director	Date next due for re-election
EAG Mackay	27/02/1999	08/02/1999	31/07/2008	2011 AGM
MI Wyman	26/02/1999	08/02/1999	22/07/2010	2011 AGM ¹

¹ Mr Wyman has announced his intention to retire at the end of August 2011 and will stand down from the board at the forthcoming AGM on 21 July 2011.

Other benefits

The executive directors are provided with medical insurance, long-term disability insurance, company car allowance, accompanied travel, legal and professional fees, club subscriptions, death in service benefits and occasional London accommodation. The values of these provisions are included in the table on page 72.

Shareholding guidelines

As explained in the introductory letter from the chairman of the remuneration committee, the committee believes that it is neither appropriate nor necessary to adopt any formal shareholding guidelines.

Non-executive directors' fees

Non-executive directors' fees for the year ended 31 March 2011 are shown in the table below, together with, for comparison, the fees for the year ended 31 March 2010, and the proposed fees for the year ending 31 March 2012.

Fee category (per annum)	2010 £	2011 £	2012 £
Chairman's fee	250,000	265,000	290,000
Basic fee	65,000	72,000	77,000
Committee Chairmen (inclusive)			
– Audit	25,000	25,000	30,000
– Remuneration	20,000	20,000	24,000
– CARAC	18,000	18,000	20,000
– Nomination	15,000	15,000	15,000
Committee Members			
– Audit	10,000	10,000	15,000
– Remuneration	8,000	8,000	12,000
– CARAC	6,000	6,000	8,000
– Nomination	–	–	–
Senior Independent Director	15,000	15,000	20,000

The Chairman is also provided with an office, a secretary and a car, as well as medical insurance and professional fees.

Non-executive directors' fees are reviewed annually, and, in May 2011, were benchmarked against the companies 15 above and 15 below the company in the FTSE 100 Index ranked by market capitalisation. The board concluded that the company's non-executive directors' fees were slightly below the median, and that the committee fees were significantly below the median. Accordingly, with effect from 1 April 2011, the basic fee was increased to £77,000, with fees for committee chairmen and membership and for the senior independent director being increased as shown in the table above. The Chairman's fee was increased to £290,000, which is in line with fee increases for other non-executive directors.

The non-executive directors do not participate in any of the group's incentive plans, nor do they receive any other benefits (other than their beverage allocation) or pension rights.

Non-executive directors do not have service contracts. Their dates of appointment are shown in the table below.

Director	Date first appointed to the board	Date of letter of appointment	Date next due for election or re-election
MH Armour	01/05/2010	14/04/2010	2011 AGM
GC Bible	01/08/2002	27/09/2002	2011 AGM
DS Devitre	16/05/2007	16/05/2007	2011 AGM
ME Doherty ¹	01/04/2006	07/03/2006	n/a
Lord Fellowes ²	08/02/1999	23/02/1999	n/a
JM Kahn	08/02/1999	23/02/1999	2011 AGM
LMS Knox ³	19/05/2011	17/05/2011	2011 AGM
PJ Manser	01/06/2001	20/06/2001	2011 AGM
JA Manzoni	01/08/2004	12/05/2004	2011 AGM
MQ Morland	08/02/1999	23/02/1999	2011 AGM
DF Moyo	01/06/2009	26/05/2009	2011 AGM
CA Pérez Dávila	09/11/2005	12/10/2005	2011 AGM
R Pieterse	15/05/2008	09/06/2008	2011 AGM
MC Ramaphosa	08/02/1999	23/02/1999	2011 AGM
A Santo Domingo Dávila	09/11/2005	12/10/2005	2011 AGM
HA Weir ³	19/05/2011	17/05/2011	2011 AGM
HA Willard	01/08/2009	01/08/2009	2011 AGM

¹ Ms Doherty was obliged to resign from the board on 31 December 2010 as a result of her appointment as Chief Financial Officer (designate) of Reckitt Benckiser Group plc with effect from 1 January 2011, because Mr Mackay, Chief Executive of SABMiller, is the Senior Independent Director of Reckitt Benckiser Group plc.

² Lord Fellowes retired from the board on 22 July 2010.

³ Ms Knox and Ms Weir were appointed to the board on 19 May 2011, and are therefore obliged to submit themselves to election by shareholders at the 2011 AGM.

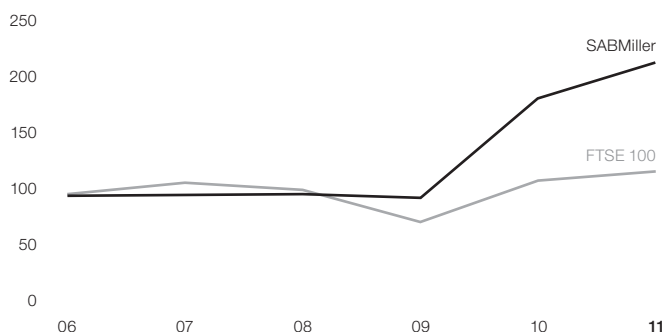
Performance review

Total shareholder return

The graph below compares the company's TSR over the period from 1 April 2006 to 31 March 2011 with the FTSE 100 Total Return Index over the same period.

5-year cumulative TSR performance

Value of £100 invested on 31 March 2006



The company is a member of the FTSE 100 Total Return Index and, accordingly, this is considered to be an appropriate broad equity market index for the purpose of demonstrating the company's relative performance.

Information subject to audit

Directors' interests in shares of the company

Director	Ordinary shares held as at 31 March 2010 ¹	Ordinary shares acquired during the period	Ordinary shares disposed of during the period	Ordinary shares held as at 31 March 2011 ²
JM Kahn	1,670,578	—	—	1,670,578
EAG Mackay	1,398,143	9,764 ³	4,980 ³	1,402,927 ¹⁰
MI Wyman	564,217	99,743 ⁴	96,831 ⁴	567,129 ¹⁰
MH Armour	—	—	—	—
GC Bible	—	55,000 ⁵	—	55,000
DS Devitre	—	—	—	—
ME Doherty	—	—	—	—
Lord Fellowes	1,000	—	—	1,000
LMS Knox	—	—	—	—
PJ Manser	—	5,000 ⁶	—	5,000
JA Manzoni	—	1,211 ⁷	—	1,211
MQ Morland	40,000	40,000 ⁸	40,000 ⁸	40,000
DF Moyo	—	—	—	—
CA Pérez Dávila	—	—	—	—
R Pieterse	—	—	—	—
MC Ramaphosa	4,000 ⁹	—	—	4,000 ⁹
A Santo Domingo Dávila	—	—	—	—
HA Weir	—	—	—	—
HA Willard	—	—	—	—

¹ Mr Armour was appointed to the board on 1 May 2010 and accordingly he did not have a disclosable interest in the company's securities prior to his appointment. The period of the table in respect to Mr Armour's holding commences from 1 May 2010.

² Lord Fellowes and Ms Doherty resigned from the board on 22 July 2010 and 31 December 2010, respectively. The period of the tables above conclude on their respective resignation dates. Ms Knox and Ms Weir were appointed to the board on 19 May 2011 and accordingly did not have a disclosable interest in the company's securities prior to that date. They had no interest in the company's securities at the date of their appointment.

³ Awards vested in respect of 9,764 shares and subsequent sale of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained by Mr Mackay beneficially.

⁴ Awards vested in respect of 5,943 shares and subsequent sale of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained by Mr Wyman beneficially, and exercise of options over 93,800 shares, all of which were sold by Mr Wyman.

⁵ Mr Bible acquired 55,000 SABMiller ordinary shares on 18 January 2011 at a price of £22.11 per share.

⁶ Mr Manser acquired 5,000 SABMiller ordinary shares on 2 February 2011 at a price of £20.84 per share.

⁷ Mr Manzoni acquired 496 SABMiller ordinary shares on 24 September 2010 at a price of £19.93 per share, and 715 SABMiller ordinary shares on 22 March 2011 at a price of £20.20 per share.

⁸ Mr Morland sold 40,000 SABMiller ordinary shares on 20 May 2010 at a price of £19.29 per share, and acquired 40,000 SABMiller ordinary shares on 18 August 2010 at a price of £19.02 per share.

⁹ Mr Ramaphosa's interest in 4,000 shares is non-beneficial.

¹⁰ In May 2011, Messrs Mackay and Wyman's beneficial holdings increased by 110,400 and 67,200 shares, respectively, following the vesting of awards over 230,000 and 140,000 shares, respectively, and the subsequent sales of shares to settle tax liabilities on the gross awards vested, with the balance of the shares being retained. There have been no other changes in the directors' beneficial interests as at 3 June 2011.

Overview

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continued

Directors' emoluments

The directors' emoluments in respect of the year ended 31 March 2011 in total have been audited and are set out in the table below:

Emoluments paid for the period 1 April 2010 to 31 March 2011

	2011 Salary/ fees £	2010 Salary/ fees £	2011 Payment in lieu of pension ¹ £	2011 Benefits £	2011 Total (excluding bonus) £	2011 Bonus £	2011 Total ¹ £	2010 Total ¹ £
Executive directors								
EAG Mackay ²	1,192,000	1,145,000	357,600	110,602 ³	1,660,202	1,775,000	3,435,202	2,830,347
MI Wyman ⁴	715,000	687,000	214,500	122,902	1,052,402	750,000	1,802,402	1,444,948
Total (A)							5,237,604	4,275,295
Non-executive directors								
MH Armour ⁵	82,110	–	–	130	82,240	–	82,240	–
GC Bible	72,000	65,000	–	–	72,000	–	72,000	65,000
DS Devitre	82,000	75,000	–	152	82,152	–	82,152	75,117
ME Doherty ⁶	61,500	75,000	–	193	61,693	–	61,693	75,223
Lord Fellowes ⁷	38,204	116,000	–	16	38,220	–	38,220	116,062
JM Kahn	286,000	271,000	–	1,044	287,044	–	287,044	271,965
LMS Knox ⁵	–	–	–	–	–	–	–	–
PJ Manser	121,341	104,000	–	242	121,583	–	121,583	104,361
JA Manzoni	86,000	79,000	–	794	86,794	–	86,794	79,440
MQ Morland	102,000	95,000	–	384	102,384	–	102,384	95,369
DF Moyo	86,273	57,667	–	310	86,583	–	86,583	57,952
CA Pérez Dávila	72,000	65,000	–	187	72,187	–	72,187	65,189
R Pieterse	78,000	71,000	–	–	78,000	–	78,000	71,000
MC Ramaphosa	78,000	71,000	–	192	78,192	–	78,192	71,163
A Santo Domingo Dávila	72,000	65,000	–	253	72,253	–	72,253	65,258
HA Weir ⁵	–	–	–	–	–	–	–	–
HA Willard ⁸	–	–	–	297	297	–	297	145
Total (B)							1,321,622	1,213,244
Grand total (A+B)							6,559,226	5,488,539

¹ The total emoluments reported for 2011 and 2010 exclude retirement contributions made by the company to the pension schemes as detailed above. In 2010, retirement contributions were paid on behalf of Mr Mackay and Mr Wyman in the amounts of £245,000 and £206,100 respectively being within the annual allowance, and contributions of £98,500 in excess of the annual allowance were paid on behalf of Mr Mackay. In 2011, in light of the uncertainty surrounding the United Kingdom Government's announcement that it was reviewing the tax treatment of retirement contributions, the company paid Mr Mackay and Mr Wyman the equivalent of their pension contributions (being £357,600 and £214,500 respectively) in the form of a cash allowance for the year, with the company and the individuals paying their respective shares of national insurance and income tax on these amounts as if they were salary.

² Mr Mackay receives annual fees for his service as a non-executive director from Reckitt Benckiser Group plc and from Philip Morris International Inc of £92,000 and US\$130,000, respectively, which he is permitted to retain. £13,500 of the fee from Reckitt Benckiser Group plc is applied to the purchase of Reckitt Benckiser Group plc ordinary shares. In addition, Mr Mackay receives from Philip Morris International Inc. an annual award of shares of common stock in Philip Morris International Inc. pursuant to that company's Stock Compensation Plan for Non-Employee Directors, which for the year ended 31 December 2010 had a fair market value of US\$140,000 on the date of grant, being 12 May 2010.

³ During the year, the group's apartment in London was made available to Mr Mackay to occupy intermittently, subject to tax on this use for his own account.

⁴ Mr Wyman receives annual fees for his service as a non-executive director from Nedbank Group Limited and Nedbank Limited of ZAR448,000 in total, which he is permitted to retain.

⁵ Mr Armour was appointed to the board on 1 May 2010, and accordingly only received pro-rated emoluments from the company in respect of the year ended 31 March 2011. Ms Knox and Ms Weir were appointed to the board on 19 May 2011, and accordingly received no emoluments from the company in respect of the year ended 31 March 2011.

⁶ Ms Doherty resigned as a director with effect from 31 December 2010.

⁷ Lord Fellowes retired as a director with effect from 22 July 2010.

⁸ Mr Willard is an executive officer of Altria Group, Inc (Altria) who is nominated by Altria for appointment as a director, and, in terms of the company's agreement with Altria, does not receive a director's fee from the company for serving as a director, but is entitled to a nominal annual beverage allowance.

Share incentive plans

The interests of the executive directors in shares of the company provided in the form of options and awards are shown in the tables below, and have been audited. During the year ended 31 March 2011 the highest and lowest market prices for the company's shares were £23.06 (on 29 December 2010) and £18.27 (on 1 July 2010) respectively and the closing market price on 31 March 2011 was £22.075.

Share options

	Exercisable for 3-10 years from	Subscription price (£)	Share options outstanding as at 31 March 2010	Share options granted during the year	Share options exercised during the year	Share options outstanding as at 31 March 2011	Share options vested and exercisable as at 31 March 2011	Sale price/ market price (if applicable) (£)
EAG Mackay	19/05/2006 ²	10.61	230,000	–	–	230,000 ⁴	154,100 ⁴	n/a
	18/05/2007 ²	11.67	230,000	–	–	230,000	154,100 ⁵	n/a
	16/05/2008 ²	12.50	230,000	–	–	230,000 ⁶	–	n/a
	14/11/2008 ²	9.295	60,000	–	–	60,000	–	n/a
	15/05/2009 ²	12.31	290,000	–	–	290,000	–	n/a
	01/06/2010 ²	19.51	–	250,000	–	250,000	–	n/a
			1,040,000	250,000	–	1,290,000⁷	308,200	
MI Wyman	20/05/2005 ¹	8.28	3,623	–	–	3,623	3,623 ³	n/a
	19/05/2006 ²	10.61	46,200	–	–	46,200 ⁴	–	n/a
	18/05/2007 ²	11.67	140,000	–	93,800 ⁵	46,200 ⁵	–	19.70
	16/05/2008 ²	12.50	140,000	–	–	140,000 ⁶	–	n/a
	01/08/2008 ²	10.49	35,000	–	–	35,000	–	n/a
	15/05/2009 ²	12.31	175,000	–	–	175,000	–	n/a
	01/06/2010 ²	19.51	–	150,000	–	150,000	–	n/a
			539,823	150,000	93,800	596,023⁷	3,623	

¹ The performance condition for options granted in 2002 and until 2005 required compound annualised adjusted EPS growth (expressed in sterling) of RPI + 3% subject to testing at three, four and five-year intervals from a fixed base for vesting of the base annual award. Half of any additional annual amount vested at compound annualised adjusted EPS growth of RPI + 4%; and the other half of any additional annual amount vested at compound annualised adjusted EPS growth of RPI + 5%. After the five-year test any unvested portion of the option lapsed.

² The performance condition for options granted from 2006 and onwards requires compound annualised adjusted EPS growth of RPI + 3% from a fixed base for vesting of the base annual award. Half of any additional annual amount vests at compound annualised adjusted EPS growth of RPI + 4%; and the other half of any additional annual amount vests at compound annualised adjusted EPS growth of RPI + 5%. The performance tests are applied to two-thirds of the award after three years and one-third of the award after five years, with any unvested portion of the options lapsing after three years or five years, as the case may be, and with no provision for retesting any part of the awards.

³ On 20 May 2008, share options granted on 20 May 2005 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2008, at 71.28 pence (converted from US\$ at the average exchange rate over the period 1 April 2007 to 31 March 2008) was more than 27.1% higher (the aggregate of RPI movement and 5% per annum compound growth) than the adjusted EPS of 54.7 pence for the year ended 31 March 2005 (the base year calculation of the performance condition) converted from US\$ at the average exchange rate for the period from 1 April 2004 to 31 March 2005. The mid market close on 20 May 2008 was £12.74.

⁴ Two-thirds of the share options granted on 19 May 2006 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2009, and on 19 May 2009 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2009, at 79.7 pence (converted from US\$ at the average exchange rate over the period 1 April 2008 to 31 March 2009) was more than 24.2% higher (the aggregate of RPI movement and 5% per annum compound growth) than the adjusted EPS of 61.1 pence for the year ended 31 March 2006 (the base year calculation of the performance condition) converted from US\$ at the average exchange rate for the period from 1 April 2005 to 31 March 2006. The mid market close on 19 May 2009 was £12.57. The remaining one-third of the options granted on 19 May 2006 were eligible to be tested against the performance condition described in this report for the five years ended

31 March 2011, and on 19 May 2011 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2011, at 123.4 pence (converted from US\$ at the average exchange rate over the period 1 April 2010 to 31 March 2011) was more than 37.2% higher than the adjusted EPS of 61.1 pence for the year ended 31 March 2006 (the base year calculation of the performance condition) converted from US\$ at the average exchange rate for the period from 1 April 2005 to 31 March 2006 plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 19 May 2011 was £22.66.

⁵ Two-thirds of the share options granted on 18 May 2007 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2010, and on 18 May 2010 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2010, at 100.7 pence (converted from US\$ at the average exchange rate over the period 1 April 2009 to 31 March 2010) was 28.7% higher than the adjusted EPS of 63.4 pence for the year ended 31 March 2007 (the base year calculation of the performance condition converted from US\$ at the average exchange rate for the period from 1 April 2006 to 31 March 2007) plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 18 May 2010 was £20.76. The one-third which remains unvested will be eligible to be tested against the performance condition described in note 2 above for the five years ending 31 March 2012.

⁶ Two-thirds of the share options granted on 16 May 2008 were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2011, and on 16 May 2011 vested in full and became exercisable as the company's adjusted EPS for the year ended 31 March 2011, at 123.4 pence (converted from US\$ at the average exchange rate over the period 1 April 2010 to 31 March 2011) was 38.0% higher than the adjusted EPS of 71.3 pence for the year ended 31 March 2008 (the base year calculation of the performance condition converted from US\$ at the average exchange rate for the period from 1 April 2007 to 31 March 2008) plus the aggregate of RPI movement and 5% per annum compound growth. The mid market close on 16 May 2011 was £22.495. The one-third which remains unvested will be eligible to be tested against the performance condition described in note 2 above for the five years ending 31 March 2013.

⁷ Messrs Mackay and Wyman were granted 250,000 and 150,000 share options respectively at a subscription price of £22.495 per share on 1 June 2011.

Remuneration report

continued

Performance Shares

Director	Date of grant	Market value at grant date (£)	Performance shares outstanding as at 31 March 2010	Performance shares granted during the year	Performance shares vested during the year	Performance shares lapsed during the year	Performance shares outstanding as at 31 March 2011	Vesting date
EAG Mackay	19/05/2006 ¹	10.61	37,950	–	–	–	37,950 ⁷	19/05/2011
	18/05/2007 ²	11.67	59,915	–	9,764 ⁶	12,201 ⁶	37,950	18/05/2012
	16/05/2008 ³	12.50	230,000	–	–	–	230,000 ⁸	16/05/2011
	14/11/2008 ³	9.295	60,000	–	–	–	60,000	14/11/2011
	15/05/2009 ⁴	12.31	290,000	–	–	–	290,000	15/05/2012
	01/06/2010 ⁵	19.51	–	125,000	–	–	125,000	01/06/2013
			677,865	125,000	9,764	12,201	780,900⁹	
MI Wyman	19/05/2006 ¹	10.61	23,100	–	–	–	23,100 ⁷	19/05/2011
	18/05/2007 ²	11.67	36,470	–	5,943 ⁶	7,427 ⁶	23,100	18/05/2012
	16/05/2008 ³	12.50	140,000	–	–	–	140,000 ⁸	16/05/2011
	01/08/2008 ³	10.49	35,000	–	–	–	35,000	01/08/2011
	15/05/2009 ⁴	12.31	175,000	–	–	–	175,000	15/05/2012
	01/06/2010 ⁵	19.51	–	75,000	–	–	75,000	01/06/2013
			409,570	75,000	5,943	7,427	471,200⁹	

¹ From 2006 to 2009, 50% of performance share awards were subject to a TSR performance condition and 50% to an adjusted EPS growth performance condition. The TSR test is applied to two-thirds of the relevant part of the award after three years and to one-third after five years. The EPS condition is a three-year adjusted EPS growth target, set by reference to historical and forecast adjusted EPS growth for the six members of the comparator group determined by the committee to be the company's closest peers in the global brewing industry, namely Anheuser-Busch, Carlsberg, Heineken, InBev, Molson Coors and Scottish & Newcastle (although Scottish & Newcastle was dropped from this group for the purposes of awards made in 2008 and 2009, and Anheuser-Busch was dropped from this group for the purposes of awards made in 2009).

TSR condition

2006

Performance shares awarded in 2006 vest if three year and five year TSR exceeds the median TSR of a comparator group of companies identified at the time of the award, with two-thirds of the award being tested after three years, and one-third after five years. On reaching the median performance of the comparator group, 25% of the award vests, and on reaching at least the upper quartile, 100% of the award vests, with pro rata vesting in between.

2007

Performance shares awarded in 2007 vest if three year and five year exceeds the median TSR of a comparator group of companies identified at the time of the award. 25% of the award vests on reaching the median, and 100% vests if TSR exceeds the median by 25% with respect to the three-year vesting test and by 33% with respect to the five-year vesting test.

2008

The same TSR performance condition applies to performance shares awarded in 2008 as applied in 2007.

2009

The same TSR performance condition applies to performance shares awarded in 2009 as applied in 2008.

2010

From June 2010 the TSR performance condition was replaced by the value sharing condition referred to on page 75.

EPS condition

2006

The EPS growth target for awards made in 2006 is 11% p.a. for full vesting with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement.

2007

The EPS growth target for awards made in 2007 is 11% p.a. for full vesting, with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement.

2008

The EPS growth target for awards made in 2008 is 10% p.a. for full vesting, with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement.

2009

The EPS growth target for awards made in 2009 is 9% p.a. for full vesting, with threshold vesting of 25% at 5% p.a., and pro rata vesting between these levels of achievement.

2010

The EPS growth target for awards made in 2010 is 9% p.a. for full vesting, with threshold vesting of 25% at 5% p.a., and pro rata vesting between these levels of achievement.

⁶ In May 2010, the executive directors' 2007 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 89.39% of maximum which resulted in 102,799 and 62,573 EPS awards vesting for Mr Mackay and Mr Wyman respectively. Of these, the remuneration committee exercised its discretion to recommend to the trustee of the EBT that 93,035 and 56,630 shares be released to Mr Mackay and Mr Wyman respectively on 23 March 2010 (when the price was £19.42) and the remainder, being 9,764 and 5,943 shares respectively, were released on 18 May 2010 (when the price was £20.64). Of these, 38,145 and 23,219 shares were sold on 23 March 2010 and 4,980 and 3,031 shares were sold on 18 May 2010 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. TSR for the three-year period ended 18 May 2010 was 80.6%, which exceeded the peer group median of 28.4% by more than 50% and therefore all of the shares comprised in the first two-thirds of the 2007 awards vested, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 18 May 2012. This resulted in 77,050 and 46,900 TSR awards vesting. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay and Mr Wyman on 23 March 2010 (when the price was £19.42). Of these, 31,591 and 19,229 shares were sold on 23 March 2010 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively.

⁷ After the year end, the remaining one-third of the executive directors' 2006 TSR based performance share awards were tested against the TSR performance condition for the five-year period ended 18 May 2011. TSR for this five-year period was 113.1%, which exceeded the peer group median of 58.3% by more than 94% and therefore all of the shares comprised in the remaining one-third of the 2006 awards vested. This resulted in 37,950 and 23,100 TSR awards vesting for Mr Mackay and Mr Wyman respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay and Mr Wyman on 19 May 2011 (when the price was £22.66). Of these, 19,734 and 12,012 shares were sold on 19 May 2011 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. (All of the shares comprised in the first two-thirds of this part of the executive directors' 2006 performance share awards lapsed on 19 May 2009, as TSR for the three-year period ended 18 May 2009 was below median.)

⁸ Also after the year end, the executive directors' 2008 performance share awards were tested against the applicable TSR and EPS performance conditions. The EPS performance measurement was achieved as to 100% of maximum which resulted in 115,000 and 70,000 EPS awards vesting for Mr Mackay and Mr Wyman respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that 115,000 and 70,000 shares be released to Mr Mackay and Mr Wyman respectively on 16 May 2011 (when the price was £22.495). Of these, 59,800 and 36,400 shares were sold on 16 May 2011 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. TSR for the three-year period ended 31 March 2011 was 98.4%, which exceeded the peer group median of 25.3% by more than 290% and therefore all of the shares comprised in the first two-thirds of the 2008 awards vested, with the remaining one-third to be tested against the TSR performance condition for the five-year period ending 31 March 2013. This resulted in 77,050 and 46,900 TSR awards vesting for Mr Mackay and Mr Wyman respectively. The remuneration committee exercised its discretion to recommend to the trustee of the EBT that these shares be released to Mr Mackay and Mr Wyman on 16 May 2011 (when the price was £22.495). Of these, 40,066 and 24,388 shares were sold on 16 May 2011 to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively.

⁹ On 1 June 2011 Messrs Mackay and Wyman were awarded 125,000 and 75,000 conditional awards of performance shares respectively, subject to the company's adjusted EPS growth performance condition.

Value Shares

Director	Date of award	Market value on date of award (£)	Value shares outstanding as at 31 March 2010 (shares per £10m of additional value)	Value shares granted during the year (shares per £10m of additional value)	Value shares released during the year (ordinary shares released)	Value shares lapsed during the year (shares per £10m of additional value)	Value shares outstanding as at 31 March 2011 (shares per £10m of additional value)	Earliest possible release date ²	Final vesting date
EAG Mackay	01/06/2010 ¹	19.51	—	220	—	—	220	01/06/2013	01/06/2015
			—	220	—	—	220³		
MI Wyman	01/06/2010 ¹	19.51	—	130	—	—	130	01/06/2013	01/06/2015
			—	130	—	—	130³		

¹ The number of shares which can be released under a value share award is capped at the level at which the additional shareholder value created in excess of the median growth of the comparator group equals the market capitalisation of the company at the beginning of the performance period. Additional shareholder value created is the amount by which the growth in the company's market capitalisation after taking account of net equity cash flows exceeds the median growth of a weighted peer group index over the three to five-year performance period. The payout under the value share award for the executive directors and members of the executive committee in the aggregate is capped at circa 0.40% of additional shareholder value created (over and above the median of the comparator group) for any one cycle. This is the maximum theoretical percentage that can be earned in aggregate by the executive directors and the members of the executive committee, with 99.6% of the extra value created accruing to shareholders. No awards will be released if the growth in the company's market capitalisation after taking account of net equity cash flows is only at the median of the comparator group.

² Value share awards vest on the fifth anniversary of the grant date, subject to achievement of the performance condition, but participants may elect to request the trustees of the EBT release all or part of the award following their third anniversary of grant, during specified quarterly release windows, each lasting no longer than two weeks. Participants electing to exercise their awards before the fifth anniversary crystallise the number of shares which will vest and cannot re-test their value awards against any future growth in additional value. These shares will be subject to partial deferral, being released to the participant in a number of equal instalments over the period up to the fifth anniversary of the date of grant, and are subject to forfeiture under certain circumstances should their employment be terminated before the fifth anniversary.

³ On 1 June 2011 Messrs Mackay and Wyman were awarded 220 and 130 value shares respectively for each £10 million of additional shareholder value created over the five year performance period commencing on 1 April 2011.

Approval

This report and the recommendations of the remuneration committee were approved by the board on 3 June 2011 as recommended by the remuneration committee on 16 May 2011 and will be submitted to shareholders for approval at the 2011 annual general meeting.

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Throughout the year ended 31 March 2011 the company applied the provisions of the Combined Code relating to remuneration.

Signed on behalf of the board of directors by

John Davidson

General Counsel and Group Company Secretary

3 June 2011

Statement of directors' responsibilities in respect of the consolidated financial statements

The directors are responsible for preparing the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. The directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the consolidated financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are listed in the Governance section of the Annual Report, confirms that, to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the directors' report contained in the Governance section of the Annual Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

In addition, the Companies Act 2006 requires directors to provide the group's auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. Each of the directors, having made appropriate enquiries, confirms that:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

The directors have reviewed the group's budget and cash flow forecasts. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that SABMiller plc is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

A copy of the financial statements of the group is placed on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of SABMiller plc

We have audited the consolidated financial statements of SABMiller plc for the year ended 31 March 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the SABMiller plc Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern, as set out on page 76;
- the part of the corporate governance report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the remuneration report.

Other matter

We have reported separately on the company financial statements of SABMiller plc for the year ended 31 March 2011 and on the information in the remuneration report that is described as having been audited.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 June 2011

Consolidated income statement

for the year ended 31 March

	Notes	2011 US\$m	2010 US\$m
Revenue	2	19,408	18,020
Net operating expenses	3	(16,281)	(15,401)
Operating profit	2	3,127	2,619
Operating profit before exceptional items	2	3,563	3,091
Exceptional items	4	(436)	(472)
Net finance costs	5	(525)	(563)
Interest payable and similar charges	5a	(883)	(879)
Interest receivable and similar income	5b	358	316
Share of post-tax results of associates and joint ventures	2	1,024	873
Profit before taxation		3,626	2,929
Taxation	7	(1,069)	(848)
Profit for the year	28a	2,557	2,081
Profit attributable to non-controlling interests		149	171
Profit attributable to equity shareholders		2,408	1,910
		2,557	2,081
Basic earnings per share (US cents)	8	152.8	122.6
Diluted earnings per share (US cents)	8	151.8	122.1

All operations are continuing.

The notes on pages 83 to 152 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2011 US\$m	2010 US\$m
Profit for the year		2,557	2,081
Other comprehensive income:			
Currency translation differences on foreign currency net investments		644	2,431
Actuarial losses on defined benefit plans	32	(28)	(15)
Available for sale investments:			2
– Fair value gains arising during the year	15	–	4
– Fair value gains transferred to profit or loss		–	(2)
Net investment hedges:			
– Fair value losses arising during the year	27b	(137)	(310)
Cash flow hedges:	27b	39	(59)
– Fair value gains/(losses) arising during the year		16	(48)
– Fair value losses/(gains) transferred to inventory		2	(17)
– Fair value gains transferred to property, plant and equipment		–	(1)
– Fair value losses transferred to profit or loss		21	7
Tax on items included in other comprehensive income	7	22	(36)
Share of associates' and joint ventures' (losses)/gains included in other comprehensive income	13,14	(50)	136
Other comprehensive income for the year, net of tax		490	2,149
Total comprehensive income for the year		3,047	4,230
Attributable to:			
Equity shareholders		2,904	4,075
Non-controlling interests		143	155
Total comprehensive income for the year		3,047	4,230

The notes on pages 83 to 152 are an integral part of these consolidated financial statements.

Consolidated balance sheet at 31 March

	Notes	2011 US\$m	2010 ¹ US\$m
Assets			
Non-current assets			
Goodwill	10	11,952	11,579
Intangible assets	11	4,361	4,354
Property, plant and equipment	12	9,330	8,915
Investments in joint ventures	13	5,813	5,822
Investments in associates	14	2,719	2,213
Available for sale investments	15	35	31
Derivative financial instruments	24	330	409
Trade and other receivables	17	140	117
Deferred tax assets	21	184	164
		34,864	33,604
Current assets			
Inventories	16	1,256	1,295
Trade and other receivables	17	1,687	1,665
Current tax assets		152	135
Derivative financial instruments	24	16	20
Available for sale investments	15	–	1
Cash and cash equivalents	18	1,067	779
		4,178	3,895
Assets of disposal group classified as held for sale	19	66	–
		4,244	3,895
Total assets		39,108	37,499
Liabilities			
Current liabilities			
Derivative financial instruments	24	(50)	(174)
Borrowings	22	(1,345)	(1,605)
Trade and other payables	20	(3,484)	(3,228)
Current tax liabilities		(658)	(616)
Provisions	25	(410)	(355)
		(5,947)	(5,978)
Liabilities of disposal group classified as held for sale	19	(66)	–
		(6,013)	(5,978)
Non-current liabilities			
Derivative financial instruments	24	(85)	(147)
Borrowings	22	(7,115)	(7,809)
Trade and other payables	20	(98)	(145)
Deferred tax liabilities	21	(2,578)	(2,374)
Provisions	25	(460)	(453)
		(10,336)	(10,928)
Total liabilities		(16,349)	(16,906)
Net assets		22,759	20,593
Equity			
Share capital	26	166	165
Share premium		6,384	6,312
Merger relief reserve		4,586	4,586
Other reserves	27b	1,881	1,322
Retained earnings	27a	8,991	7,525
Total shareholders' equity		22,008	19,910
Non-controlling interests		751	683
Total equity		22,759	20,593

¹ As restated (see note 29).

The balance sheet of SABMiller plc is shown on page 155.

The notes on pages 83 to 152 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the board of directors on 3 June 2011 and were signed on its behalf by:

Graham Mackay
Chief Executive

Malcolm Wyman
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March

	Notes	2011 US\$m	2010 US\$m
Cash flows from operating activities			
Cash generated from operations	28a	4,568	4,537
Interest received		293	317
Interest paid		(933)	(957)
Tax paid		(885)	(620)
Net cash generated from operating activities	28b	3,043	3,277
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,189)	(1,436)
Proceeds from sale of property, plant and equipment		73	37
Purchase of intangible assets		(126)	(92)
Purchase of available for sale investments		(3)	(6)
Proceeds from disposal of available for sale investments		–	14
Acquisition of businesses (net of cash acquired)		(60)	(78)
Investments in joint ventures		(186)	(353)
Investments in associates		(5)	(76)
Repayment of investments by associates		68	3
Dividends received from joint ventures	13	822	707
Dividends received from associates		88	106
Dividends received from other investments		1	2
Net cash used in investing activities		(517)	(1,172)
Cash flows from financing activities			
Proceeds from the issue of shares		73	114
Proceeds from the issue of shares in subsidiaries to non-controlling interests		34	–
Purchase of own shares for share trusts		–	(8)
Purchase of shares from non-controlling interests		(12)	(5)
Proceeds from borrowings		1,608	5,110
Repayment of borrowings		(2,767)	(5,714)
Capital element of finance lease payments		(5)	(4)
Net cash payments on net investment hedges		(43)	(137)
Dividends paid to shareholders of the parent		(1,113)	(924)
Dividends paid to non-controlling interests		(102)	(160)
Net cash used in financing activities		(2,327)	(1,728)
Net cash inflow from operating, investing and financing activities		199	377
Effects of exchange rate changes		25	90
Net increase in cash and cash equivalents		224	467
Cash and cash equivalents at 1 April	28c	589	122
Cash and cash equivalents at 31 March	28c	813	589

The notes on pages 83 to 152 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March

	Called up share capital US\$m	Share premium account US\$m	Merger relief reserve US\$m	Other reserves US\$m	Retained earnings US\$m	Total shareholders' equity US\$m	Non- controlling interests US\$m	Total equity US\$m
At 1 April 2009	159	6,198	3,395	(872)	6,496	15,376	741	16,117
Total comprehensive income	–	–	–	2,194	1,881	4,075	155	4,230
Profit for the year	–	–	–	–	1,910	1,910	171	2,081
Other comprehensive income	–	–	–	2,194	(29)	2,165	(16)	2,149
Dividends paid	–	–	–	–	(924)	(924)	(162)	(1,086)
Issue of SABMiller plc ordinary shares	6	114	1,191	–	–	1,311	–	1,311
Payment for purchase of own shares for share trusts	–	–	–	–	(8)	(8)	–	(8)
Arising on business combinations	–	–	–	–	–	–	21	21
Buyout of non-controlling interests	–	–	–	–	–	–	(72)	(72)
Credit entry relating to share-based payments	–	–	–	–	80	80	–	80
At 31 March 2010¹	165	6,312	4,586	1,322	7,525	19,910	683	20,593
Total comprehensive income	–	–	–	559	2,345	2,904	143	3,047
Profit for the year	–	–	–	–	2,408	2,408	149	2,557
Other comprehensive income	–	–	–	559	(63)	496	(6)	490
Dividends paid	–	–	–	–	(1,115)	(1,115)	(106)	(1,221)
Issue of SABMiller plc ordinary shares	1	72	–	–	–	73	–	73
Proceeds from the issue of shares in subsidiaries to non-controlling interests	–	–	–	–	–	–	34	34
Buyout of non-controlling interests	–	–	–	–	(10)	(10)	(3)	(13)
Credit entry relating to share-based payments	–	–	–	–	246	246	–	246
At 31 March 2011	166	6,384	4,586	1,881	8,991	22,008	751	22,759

¹ As restated (see note 29).

The notes on pages 83 to 152 are an integral part of these consolidated financial statements.

Merger relief reserve

In accordance with company legislation, the group recorded the US\$3,395 million excess of value attributed to the shares issued as consideration for Miller Brewing Company over the nominal value of those shares as a merger relief reserve in the year ended 31 March 2003.

The US\$1,191 million increase in the merger relief reserve in the year ended 31 March 2010 related to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of non-controlling interests in the group's Polish business.

Notes to the consolidated financial statements

1. Accounting policies

The principal accounting policies adopted in the preparation of the group's financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of SABMiller plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities, and post-retirement assets and liabilities as described in the accounting policies below. The accounts have been prepared on a going concern basis.

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. Actual results could differ from those estimates.

b) Recent accounting developments

(i) New standards, amendments and interpretations of existing standards adopted by the group

The group has adopted the following as of 1 April 2010:

- IFRS 3 (revised), 'Business Combinations' requires all acquisition-related costs to be expensed and adjustments to contingent consideration classified as debt to be recognised in profit or loss rather than as an adjustment to goodwill. It allows the choice on an acquisition by acquisition basis of measuring the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's share of the acquiree's net assets. The group has applied the revised standard prospectively from 1 April 2010 for combinations completed after that date with no material impact in the year ended 31 March 2011.
- IAS 27 (revised), 'Consolidated and Separate Financial Statements' requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions no longer result in the recognition of goodwill or gains and losses. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group has applied the revised standard from 1 April 2010 with no material impact in the year ended 31 March 2011. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in Associates', and IAS 31, 'Interests in Joint Ventures'.

The following standards, interpretations and amendments have been adopted by the group since 1 April 2010 with no significant impact on its consolidated results or financial position:

- IFRS 1 (revised), 'First-time Adoption' and Amendment to IFRS 1 for Additional Exemptions.
- IFRIC 15, 'Agreements for the Construction of Real Estate'.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'.
- IFRIC 17, 'Distribution of Non-cash Assets to Owners'.
- IFRIC 18, 'Transfers of Assets from Customers'.
- Amendment to IFRS 2, 'Group Cash-settled Share-based Payment Transactions'.
- Amendment to IAS 32, 'Financial Instruments: Presentation' – Classification of Rights Issues.
- Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items.
- Annual improvements to IFRSs (2009).

(ii) New standards, amendments and interpretations of existing standards that are not yet effective and have not been early adopted by the group

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2011 or later periods, but which have not been early adopted by the group:

- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', is effective from 1 July 2010.
- Amendment to IFRS 1, 'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters', is effective from 1 July 2010.
- Amendment to IAS 24, 'Related Party Disclosures', is effective from 1 January 2011.
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement', is effective from 1 January 2011.
- Annual improvements to IFRSs (2010), is primarily effective from 1 January 2011.
- Amendment to IFRS 1, 'Hyperinflation and Fixed Dates', is effective from 1 July 2011¹.
- Amendment to IFRS 7, 'Financial Instrument Disclosures: Transfers of Financial Assets', is effective from 1 July 2011¹.
- Amendment to IAS 12 'Deferred Tax: Recovery of Underlying Assets', is effective from 1 January 2012¹.
- IAS 27 (revised 2011), 'Separate Financial Statements', is effective from 1 January 2013¹.
- IAS 28 (revised), 'Associates and Joint Ventures', is effective from 1 January 2013¹.
- IFRS 9, 'Financial Instruments', is effective from 1 January 2013¹.
- IFRS 10, 'Consolidated Financial Statements', is effective from 1 January 2013¹.
- IFRS 11, 'Joint Arrangements', is effective from 1 January 2013¹.
- IFRS 12, 'Disclosures of Interests in Other Entities', is effective from 1 January 2013¹.
- IFRS 13, 'Fair Value Measurement', is effective from 1 January 2013¹.

¹ Not yet endorsed by the EU.

The adoption of these standards, interpretations and amendments is not expected to have a material effect on the consolidated results of operations or financial position of the group.

c) Significant judgements and estimates

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported results or net position of the group, should it later be determined that a different choice be more appropriate.

Management considers the following to be areas of significant judgement and estimation for the group due to greater complexity and/or particularly subject to the exercise of judgement:

(i) Impairment reviews

Goodwill arising on business combinations is allocated to the relevant cash generating unit (CGU). Impairment reviews in respect of the relevant CGUs are performed at least annually or more regularly if events indicate that this is necessary. Impairment reviews are based on future cash flows discounted using the weighted average cost of capital for the relevant country with terminal values calculated applying the long-term growth rate. The future cash flows which are based on business forecasts, the long-term growth rates and the discount rates used are dependent on management estimates and judgements. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse impact on the results and net position of the group. Details of the estimates used in the impairment reviews for the year are set out in note 10.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

(ii) Taxation

The group operates in many countries and is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the provision for taxes as the tax treatment is often by its nature complex, and cannot be finally determined until a formal resolution has been reached with the relevant tax authority which may take several years to conclude. Amounts provided are accrued based on management's interpretation of country specific tax laws and the likelihood of settlement. Actual liabilities could differ from the amount provided which could have a consequent adverse impact on the results and net position of the group.

(iii) Pension and post-retirement benefits

Pension accounting requires certain assumptions to be made in order to value the group's pension and post-retirement obligations in the balance sheet and to determine the amounts to be recognised in the income statement and in other comprehensive income in accordance with IAS 19. The calculations of these obligations and charges are based on assumptions determined by management which include discount rates, salary and pension inflation, healthcare cost inflation, mortality rates and expected long-term rates of return on assets. Details of the assumptions used are set out in note 32. The selection of different assumptions could affect the net position of the group and future results.

(iv) Property, plant and equipment

The determination of the useful economic life and residual values of property, plant and equipment is subject to management estimation. The group regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and any changes that could affect prospective depreciation charges and asset carrying values.

(v) Business combinations

On the acquisition of a company or business, a determination of the fair value and the useful life of intangible assets acquired is performed, which requires the application of management judgement. Future events could cause the assumptions used by the group to change which would have a significant impact on the results and net position of the group.

(vi) Exceptional items

Exceptional items are expense or income items recorded in a period which have been determined by management as being material by their size or incidence and are presented separately within the results of the group. The determination of which items are disclosed as exceptional items will affect the presentation of profit measures including EBITA and adjusted earnings per share, and requires a degree of judgement. Details relating to exceptional items reported during the year are set out in note 4.

d) Segmental reporting

Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focussed geographically, and while not meeting the definition of reportable segments, the group reports separately as segments Asia, South Africa Hotels and Gaming and Corporate as this provides useful additional information.

e) Basis of consolidation

SABMiller plc (the company) is a public limited company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements include the financial information of the subsidiary, associate and joint venture entities owned by the company.

(i) Subsidiaries

Subsidiaries are entities controlled by the company, where control is the power directly or indirectly to govern the financial and operating policies of the entity so as to obtain benefit from its activities,

regardless of whether this power is actually exercised. Where the company's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in non-controlling interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

Control is presumed to exist when the group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

On the subsequent disposal or termination of a business, the results of the business are included in the group's results up to the effective date of disposal. The profit or loss on disposal or termination is calculated after charging the amount of any related goodwill to the extent that it has not previously been taken to the income statement.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Some of the company's subsidiaries have a local statutory accounting reference date of 31 December. These are consolidated using management prepared information on a basis coterminous with the company's accounting reference date.

(ii) Associates

Associates are entities in which the group has a long-term interest and over which the group has directly or indirectly significant influence, where significant influence is the ability to influence the financial and operating policies of the entity.

The associate, Distell Group Ltd, has a statutory accounting reference date of 30 June. In respect of each year ending 31 March, this company is included based on financial statements drawn up to the previous 31 December, but taking into account any changes in the subsequent period from 1 January to 31 March that would materially affect the results. All other associates are included on a coterminous basis.

(iii) Joint ventures

Joint ventures are contractual arrangements which the group has entered into with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

The group's share of the recognised income and expenses of associates and joint ventures are accounted for using the equity method from the date significant influence or joint control commences to the date it ceases based on present ownership interests.

The group recognises its share of associates' and joint ventures' post-tax results as a one line entry before profit before tax in the income statement and its share of associates' and joint ventures' equity movements as a one line entry under other comprehensive income in the statement of comprehensive income.

When the group's interest in an associate or joint venture has been reduced to nil because the group's share of losses exceeds its interest in the associate or joint venture, the group only provides for additional losses to the extent that it has incurred legal or constructive obligations to fund such losses, or make payments on behalf of the associate or joint venture. Where the investment in an associate or joint venture is disposed, the investment ceases to be equity accounted.

1. Accounting policies continued

(iv) Transactions with non-controlling interests

With effect from 1 April 2010 transactions with non-controlling interests are treated as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity where there is no loss of control.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

(v) Reduction in interests

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, certain amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that certain amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, or if the ownership interest in a joint venture is reduced but joint control is retained, only the proportionate share of the carrying amount of the investment and of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Previously, when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence became its cost for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset.

f) Foreign exchange

(i) Foreign exchange translation

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 US dollars which is the group's presentational currency. The exchange rates to the US dollar used in preparing the consolidated financial statements were as follows:

	Year ended 31 March 2011	Year ended 31 March 2010
Average rate		
South African rand (ZAR)	7.15	7.78
Colombian peso (COP)	1,881	2,031
Euro (€)	0.76	0.71
Czech koruna (CZK)	19.04	18.45
Peruvian nuevo sol (PEN)	2.81	2.92
Polish zloty (PLN)	3.01	2.99
Closing rate		
South African rand (ZAR)	6.77	7.30
Colombian peso (COP)	1,879	1,929
Euro (€)	0.71	0.74
Czech koruna (CZK)	17.27	18.87
Peruvian nuevo sol (PEN)	2.80	2.84
Polish zloty (PLN)	2.84	2.86

The average exchange rates have been calculated based on the average of the exchange rates during the relevant year which have been weighted according to the phasing of revenue of the group's businesses.

(ii) Transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being included in operating profit in the income statement other than those arising on financial assets and liabilities which are recorded within net finance costs and those which are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary assets such as equity investments classified as available for sale assets are included in other comprehensive income.

(iii) Overseas subsidiaries, associates and joint ventures

One-off items in the income and cash flow statements of overseas subsidiaries, associates and joint ventures expressed in currencies other than the US dollar are translated to US dollars at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of equity. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. When a foreign operation is disposed of, any related exchange differences in equity are reclassified to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

g) Business combinations

(i) Subsidiaries

The acquisition method is used to account for business combinations. The identifiable net assets (including intangibles) are incorporated into the financial statements on the basis of their fair value from the effective date of control, and the results of subsidiary undertakings acquired during the financial year are included in the group's results from that date.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable assets (including intangibles), liabilities and contingent liabilities acquired. Fair values of these assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be acquired or similar obligations entered into, or by discounting expected future cash flows to present value, using either market rates or the risk-free rates and risk-adjusted expected future cash flows.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the group's estimate of the fair value of any deferred consideration payable. Acquisition-related costs are expensed as incurred. Where the business combination agreement provides for an adjustment to the cost that is contingent on future events, the consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On an acquisition by acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

(ii) Associates and joint ventures

On acquisition the investment in associates and joint ventures is recorded initially at cost. Subsequently the carrying amount is increased or decreased to recognise the group's share of the associates' and joint ventures' income and expenses after the date of acquisition.

Fair values reflecting conditions at the date of acquisition are attributed to the group's share of identifiable assets (including intangibles), liabilities and contingent liabilities acquired. The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the group's estimate of the fair value of any deferred consideration payable.

The date significant influence or joint control commences is not necessarily the same as the closing date or any other date named in the contract.

(iii) Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recorded as negative goodwill. Negative goodwill arising on an acquisition is recognised immediately in the income statement.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in the income statement and is not reversed.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying value of the investment in the associate or joint venture.

h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at their fair value at the date of acquisition. Amortisation is included within net operating expenses in the income statement. Internally generated intangibles are not recognised except for software and applied development costs referred to under software and research and development below.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The group regularly reviews all of its amortisation rates and residual values to take account of any changes in circumstances. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

(i) Brands

Brands are recognised as an intangible asset where the brand has a long-term value. Acquired brands are only recognised where title is clear or the brand could be sold separately from the rest of the business and the earnings attributable to it are separately identifiable. The group typically arrives at the fair value of such brands on a relief from royalty basis.

Acquired brands are amortised. In respect of brands currently held the amortisation period is 10 to 40 years, being the period for which the group has exclusive rights to those brands.

(ii) Contract brewing and other licences recognised as part of a business combination

Contractual arrangements for contract brewing and competitor licensing arrangements are recognised as an intangible asset at a fair value representing the remaining contractual period with an assumption about the expectation that such a contract will be renewed, together with a valuation of this extension.

Acquired licences or contracts are amortised. In respect of licences or contracts currently held, the amortisation period is the period for which the group has exclusive rights to these assets or income streams.

(iii) Customer lists and distributor relationships recognised as part of a business combination

The fair value of businesses acquired may include customer lists and distributor relationships. These are recognised as intangible assets and are calculated by discounting the future revenue stream attributable to these lists or relationships.

Acquired customer lists or distributor relationships are amortised. In respect of contracts currently held, the amortisation period is the period for which the group has the benefit of these assets.

(iv) Software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the group that will probably generate economic benefits exceeding costs beyond one year are capitalised. Direct costs include software development employment costs (including those of contractors used), capitalised interest and an appropriate portion of overheads. Capitalised computer software, licence and development costs are amortised over their useful economic lives of between three and eight years.

Internally generated costs associated with maintaining computer software programmes are expensed as incurred.

(v) Research and development

Research and general development expenditure is written off in the period in which it is incurred.

Certain applied development costs are only capitalised as internally generated intangible assets where there is a clearly defined project, separately identifiable expenditure, an outcome assessed with reasonable certainty (in terms of feasibility and commerciality), expected revenues exceed expected costs and the group has the resources to complete the task. Such assets are amortised on a straight-line basis over their useful lives once the project is complete.

i) Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

1. Accounting policies continued

(i) Assets in the course of construction

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as on other property, plant and equipment.

(ii) Assets held under finance leases

Assets held under finance leases which result in the group bearing substantially all the risks and rewards incidental to ownership are capitalised as property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then depreciated over the lower of the lease term or their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet classified, as appropriate, as a current or non-current liability. The interest element of the lease obligations is charged to the income statement over the period of the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each financial period.

(iii) Returnable containers

Returnable containers in circulation are recorded within property, plant and equipment at cost net of accumulated depreciation less any impairment loss.

Depreciation of returnable bottles and containers is recorded to write the containers off over the course of their economic life. This is typically undertaken in a two stage process:

- The excess over deposit value is written down over a period of 1 to 10 years.
- Provisions are made against the deposit values for breakages and losses in trade together with a design obsolescence provision held to write off the deposit value over the expected container design period – which is a period of no more than 14 years from the inception of a container design. This period is shortened where appropriate by reference to market dynamics and the ability of the entity to use containers for different brands.

(iv) Depreciation

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other plant, property and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	20 – 50 years
Leasehold buildings	Shorter of the lease term or 50 years
Plant, vehicles and systems	2 – 30 years
Returnable containers (non-returnable containers are recorded as inventory)	1 – 14 years
Assets held under finance leases	Lower of the lease term or life of the asset

The group regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances. When setting useful economic lives, the principal factors the group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount.

(v) Capitalisation of borrowing costs

Financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use, are capitalised up to the time of completion of the project.

j) Advance payments made to customers (principally hotels, restaurants, bars and clubs)

Advance payments made to customers are conditional on the achievement of contracted sales targets or marketing commitments. The group records such payments as prepayments initially at fair value and amortises them in the income statement over the relevant period to which the customer commitment is made (typically three to five years). These prepayments are recorded net of any impairment losses.

Where there is a volume target the amortisation of the advance is included in sales discounts as a reduction to revenue and where there are specific marketing activities/commitments the amortisation is included as an operating expense. The amounts capitalised are reassessed annually for achievement of targets and are impaired where there is objective evidence that the targets will not be achieved.

Assets held at customer premises are included within property, plant and equipment and are depreciated in line with group policies on similar assets.

k) Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, as follows:

- Raw materials, consumables and goods for resale: Purchase cost net of discounts and rebates on a first-in first-out basis (FIFO).
- Finished goods and work in progress: Raw material cost plus direct costs and a proportion of manufacturing overhead expenses on a FIFO basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Costs of inventories include the transfer from equity of any gains or losses on matured qualifying cash flow hedges of purchases of raw materials.

l) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the group assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

There are four categories of financial assets and financial liabilities. These are described as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include derivative assets and derivative liabilities not designated as effective hedging instruments.

All gains or losses arising from changes in the fair value of financial assets or financial liabilities within this category are recognised in the income statement.

a. Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

These include derivatives embedded in host contracts. Such embedded derivatives need not be accounted for separately if the host contract is already fair valued; if it is not considered as a derivative if it was freestanding; or if it can be demonstrated that it is closely related to the host contract. There are certain currency exemptions which the group has applied to these rules which limit the need to account for certain potential embedded foreign exchange derivatives. These are: if a contract is denominated in the functional currency of either party; where that currency is commonly used in international trade of the good traded; or if it is commonly used for local transactions in an economic environment.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the income statement. (See note x for the group's accounting policy on hedge accounting).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They 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 of greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are initially recognised at fair value including originating fees and transaction costs, and subsequently measured at amortised cost using the effective interest method less provision for impairment. Loans and receivables include trade receivables, amounts owed by associates – trade, amounts owed by joint ventures – trade, accrued income and cash and cash equivalents.

a. Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. This provision is recognised in the income statement.

b. Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents includes cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated cash flow statement, cash and cash equivalents also includes bank overdrafts which are shown within borrowings in current liabilities on the balance sheet.

(iii) Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated in this category or not classified as financial assets at fair value through profit or loss, or loans and receivables. Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognised at fair value plus transaction costs and are subsequently remeasured at fair value and tested for impairment. Gains and losses arising from changes in fair value including any related foreign exchange movements are recognised in other comprehensive income. On disposal or impairment of available for sale investments, any gains or losses in other comprehensive income are reclassified to the income statement.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

(iv) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost include trade payables, accruals, amounts owed to associates – trade, amounts owed to joint ventures – trade, other payables and borrowings.

a. Trade payables

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

b. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note x). Bank overdrafts are shown within borrowings in current liabilities and are included within cash and cash equivalents on the face of the cash flow statement as they form an integral part of the group's cash management.

1. Accounting policies continued

m) Impairment

This policy covers all assets except inventories (see note k), financial assets (see note l), non-current assets classified as held for sale (see note n), and deferred tax assets (see note u).

Impairment reviews are performed by comparing the carrying value of the non-current asset to its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the cash generating unit (CGU) using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is reperformed on a pre-tax basis in order to determine the impairment loss to be recorded.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group estimates the recoverable amount of the CGU to which the asset belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

An impairment loss is held firstly against any specifically impaired assets. Where an impairment is recognised against a CGU, the impairment is first taken against goodwill balances and if there is a remaining loss it is set against the remaining intangible and tangible assets on a pro-rata basis.

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the income statement in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset is restricted to the amount that it would have been had the original impairment not occurred. Impairment losses in respect of goodwill are irreversible.

Goodwill is tested annually for impairment. Assets subject to amortisation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

n) Non-current assets (or disposal groups) held for sale

Non-current assets and all assets and liabilities classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Such assets are classified as held for resale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification.

o) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in the income statement within net finance costs.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses, however, provisions are recognised for onerous contracts where the unavoidable cost exceeds the expected benefit.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Investments in own shares (treasury and shares held by employee benefit trusts)

Shares held by employee share ownership plans, employee benefit trusts and in treasury are treated as a deduction from equity until the shares are cancelled, reissued, or disposed.

Purchases of such shares are classified in the cash flow statement as a purchase of own shares for share trusts or purchase of own shares for treasury within net cash from financing activities.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and related tax effects, is included in equity attributable to the company's equity shareholders.

r) Revenue recognition

(i) Sale of goods and services

Revenue represents the fair value of consideration received or receivable for goods and services provided to third parties and is recognised when the risks and rewards of ownership are substantially transferred.

The group presents revenue gross of excise duties because unlike value added tax, excise is not directly related to the value of sales. It is not generally recognised as a separate item on invoices, increases in excise are not always directly passed on to customers, and the group cannot reclaim the excise where customers do not pay for product received. The group therefore considers excise as a cost to the group and reflects it as a production cost. Consequently, any excise that is recovered in the sale price is included in revenue.

Revenue excludes value added tax. It is stated net of price discounts, promotional discounts, settlement discounts and after an appropriate amount has been provided to cover the sales value of credit notes yet to be issued that relate to the current and prior periods.

The same recognition criteria also apply to the sale of by-products and waste (such as spent grain, malt dust and yeast) with the exception that these are included within other income.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

(ii) Interest income

Interest income is recognised on an accruals basis using the effective interest method.

When a receivable is impaired the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continuing to unwind the discount as interest income.

(iii) Royalty income

Royalty income is recognised on an accruals basis in accordance with the relevant agreements and is included in other income.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

s) Operating leases

Rentals paid and incentives received on operating leases are charged or credited to the income statement on a straight-line basis over the lease term.

t) Exceptional items

Where certain expense or income items recorded in a period are material by their size or incidence, the group reflects such items as exceptional items within a separate line on the income statement except for those exceptional items that relate to associates, joint ventures, net finance costs and tax. (Associates', joint ventures', net finance cost and tax exceptional items are only referred to in the notes to the consolidated financial statements).

Exceptional items are also summarised in the segmental analyses, excluding those that relate to net finance costs and tax.

The group presents alternative earnings per share calculations on a headline and adjusted basis. The adjusted earnings per share figure excludes the impact of amortisation of intangible assets (excluding software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Headline earnings per share is calculated in accordance with the South African Circular 3/2009 entitled 'Headline Earnings' which forms part of the listing requirements for the JSE Ltd (JSE).

u) Taxation

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

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill (in the case of deferred tax liabilities) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, 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. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary. Deferred income tax is also recognised in respect of the unremitted retained earnings of overseas associates and joint ventures as the group is not able to determine when such earnings will be remitted and when such additional tax such as withholding taxes might be payable.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

v) Dividend distributions

Dividend distributions to equity holders of the parent are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

w) Employee benefits

(i) Wages and salaries

Wages and salaries for current employees are recognised in the income statement as the employees' services are rendered.

(ii) Vacation and long-term service awards costs

The group recognises a liability and an expense for accrued vacation pay when such benefits are earned and not when these benefits are paid.

The group also recognises a liability and an expense for long-term service awards where cash is paid to the employee at certain milestone dates in a career with the group. Such accruals are appropriately discounted to reflect the future payment dates at discount rates determined by reference to local high-quality corporate bonds.

(iii) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. At a mid-year point an accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year end.

1. Accounting policies continued

(iv) Share-based compensation

The group operates a variety of equity-settled share-based compensation plans. These comprise share option plans (with and without market performance conditions attached), performance share award plans (with market conditions attached) and awards related to the employee element of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. An expense is recognised to spread the fair value of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. In addition the group has granted an equity-settled share-based payment to retailers in relation to the retailer element of the BBBEE scheme. A one-off charge has been recognised based on the fair value at the grant date with a corresponding adjustment to equity. The charge will not be adjusted in the future.

The charges are based on the fair value of the awards as at the date of grant, as calculated by various binomial model calculations and Monte Carlo simulations.

The charges are not reversed if the options and awards are not exercised because the market value of the shares is lower than the option price at the date of grant.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Pension obligations

The group has both defined benefit and defined contribution plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full as they arise outside of the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise, with the exception of gains or losses arising from changes in the benefits regarding past services, which are recognised in the income statement.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The contributions to defined contribution plans are recognised as an expense as the costs become payable. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(vi) Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to qualifying employees. The expected costs of these benefits are assessed in accordance with the advice of qualified actuaries and contributions are made to the relevant funds over the expected service lives of the employees entitled to those funds. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

x) Derivative financial instruments – hedge accounting

Financial assets and financial liabilities at fair value through profit or loss include all derivative financial instruments. The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps, cross currency swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. The group also has derivatives embedded in other contracts primarily cross border foreign currency supply contracts for raw materials.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document at inception, the relationship between the hedged item and the hedging instrument as well as its risk management objectives and strategy for undertaking hedging transactions. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions or commitments (cash flow hedge); or hedges of net investments in foreign operations (net investment hedge).

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the group's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the income statement in the period incurred.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement together with the gain or loss on the hedged item attributable to the hedged risk.

Notes to the consolidated financial statements

continued

1. Accounting policies continued

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

(iii) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations comprise either foreign currency borrowings or derivatives (typically forward exchange contracts and cross currency swaps) designated in a hedging relationship.

Gains or losses on hedging instruments that are regarded as highly effective are recognised in other comprehensive income. These largely offset foreign currency gains or losses arising on the translation of net investments that are recorded in equity, in the foreign currency translation reserve. The ineffective portion of gains or losses on hedging instruments is recognised immediately in the income statement. Amounts accumulated in equity are only reclassified to the income statement upon disposal of the net investment.

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are reclassified to the income statement. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, whilst providing effective economic hedges under the group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the income statement. The group does not hold or issue derivative financial instruments for speculative purposes.

y) Deposits by customers

Returnable containers in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for branded returnable containers are reflected in the balance sheet within current liabilities. Any estimated liability that may arise in respect of deposits for unbranded containers is shown in provisions.

z) Earnings per share

Basic earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in the group's employee benefit trust and in treasury during the year.

Diluted earnings per share represents the profit on ordinary activities after taxation attributable to the equity shareholders, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in the group's employee benefit trust and in treasury during the year, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

2. Segmental analysis

Operating segments reflect the management structure of the group and the way performance is evaluated and resources allocated based on group revenue and EBITA by the group's chief operating decision maker, defined as the executive directors. The group is focussed geographically and, while not meeting the definition of reportable segments, the group reports separately as segments Asia, South Africa Hotels and Gaming and Corporate as this provides useful additional information.

The segmental information presented below includes the reconciliation of GAAP measures presented on the face of the income statement to non-GAAP measures which are used by management to analyse the group's performance.

Income statement

	Group revenue 2011 US\$m	EBITA 2011 US\$m	Group revenue 2010 US\$m	EBITA 2010 US\$m
Latin America	6,335	1,620	5,905	1,386
Europe	5,394	887	5,577	872
North America	5,223	741	5,228	619
Africa	3,254	647	2,716	565
Asia	2,026	92	1,741	71
South Africa:	6,079	1,204	5,183	1,007
– Beverages	5,598	1,067	4,777	885
– Hotels and Gaming	481	137	406	122
Corporate	–	(147)	–	(139)
Group	28,311	5,044	26,350	4,381
Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures'		(209)		(199)
Exceptional items – group and share of associates' and joint ventures'		(467)		(507)
Net finance costs – group and share of associates' and joint ventures' (excluding exceptional items)		(560)		(586)
Share of associates' and joint ventures' taxation		(139)		(118)
Share of associates' and joint ventures' non-controlling interests		(43)		(42)
Profit before tax		3,626		2,929

Group revenue (including associates and joint ventures)

With the exception of South Africa Hotels and Gaming, all reportable segments derive their revenues from the sale of beverages. Revenues are derived from a large number of customers which are internationally dispersed, with no customers being individually material.

	Revenue 2011 US\$m	Share of associates' and joint ventures' revenue 2011 US\$m	Group revenue 2011 US\$m	Revenue 2010 US\$m	Share of associates' and joint ventures' revenue 2010 US\$m	Group revenue 2010 US\$m
Latin America	6,324	11	6,335	5,894	11	5,905
Europe	5,379	15	5,394	5,558	19	5,577
North America	117	5,106	5,223	107	5,121	5,228
Africa	2,059	1,195	3,254	1,774	942	2,716
Asia	564	1,462	2,026	473	1,268	1,741
South Africa:	4,965	1,114	6,079	4,214	969	5,183
– Beverages	4,965	633	5,598	4,214	563	4,777
– Hotels and Gaming	–	481	481	–	406	406
Group	19,408	8,903	28,311	18,020	8,330	26,350

Notes to the consolidated financial statements

continued

2. Segmental analysis continued

Operating profit

The following table provides a reconciliation of operating profit to operating profit before exceptional items.

	Operating profit 2011 US\$m	Exceptional items 2011 US\$m	Operating profit before exceptional items 2011 US\$m	Operating profit 2010 US\$m	Exceptional items 2010 US\$m	Operating profit before exceptional items 2010 US\$m
Latin America	1,391	106	1,497	1,114	156	1,270
Europe	596	261	857	638	202	840
North America	16	–	16	12	–	12
Africa	361	4	365	313	3	316
Asia	(22)	–	(22)	(34)	–	(34)
South Africa: Beverages	809	188	997	773	53	826
Corporate	(24)	(123)	(147)	(197)	58	(139)
Group	3,127	436	3,563	2,619	472	3,091

EBITA (segment result)

This comprises operating profit before exceptional items, amortisation of intangible assets (excluding software) and includes the group's share of associates' and joint ventures' operating profit on a similar basis. The following table provides a reconciliation of operating profit before exceptional items to EBITA.

	Operating profit before exceptional items 2011 US\$m	Share of associates' and joint ventures' operating profit before exceptional items 2011 US\$m	Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures' 2011 US\$m	EBITA 2011 US\$m	Operating profit before exceptional items 2010 US\$m	Share of associates' and joint ventures' operating profit before exceptional items 2010 US\$m	Amortisation of intangible assets (excluding software) – group and share of associates' and joint ventures' 2010 US\$m	EBITA 2010 US\$m
Latin America	1,497	–	123	1,620	1,270	–	116	1,386
Europe	857	2	28	887	840	3	29	872
North America	16	679	46	741	12	562	45	619
Africa	365	277	5	647	316	248	1	565
Asia	(22)	108	6	92	(34)	98	7	71
South Africa:	997	206	1	1,204	826	180	1	1,007
– Beverages	997	70	–	1,067	826	59	–	885
– Hotels and Gaming	–	136	1	137	–	121	1	122
Corporate	(147)	–	–	(147)	(139)	–	–	(139)
Group	3,563	1,272	209	5,044	3,091	1,091	199	4,381

The group's share of associates' and joint ventures' operating profit is reconciled to the share of post-tax results of associates and joint ventures in the income statement as follows.

	2011 US\$m	2010 US\$m
Share of associates' and joint ventures' operating profit (before exceptional items)	1,272	1,091
Share of associates' and joint ventures' exceptional items	(31)	(18)
Share of associates' and joint ventures' net finance costs	(35)	(40)
Share of associates' and joint ventures' taxation	(139)	(118)
Share of associates' and joint ventures' non-controlling interests	(43)	(42)
Share of post-tax results of associates and joint ventures	1,024	873

2. Segmental analysis continued

EBITDA

The following table provides a reconciliation of EBITDA (the net cash generated from operations before working capital movements) to adjusted EBITDA. A reconciliation of profit for the year for the group to EBITDA after cash exceptional items for the group can be found in note 28a.

	EBITDA 2011 US\$m	Cash exceptional items 2011 US\$m	Dividends received from MillerCoors 2011 US\$m	Adjusted EBITDA 2011 US\$m	EBITDA 2010 US\$m	Cash exceptional items 2010 US\$m	Dividends received from MillerCoors 2010 US\$m	Adjusted EBITDA 2010 US\$m
Latin America	1,853	103	–	1,956	1,618	92	–	1,710
Europe	1,021	125	–	1,146	1,059	144	–	1,203
North America	27	–	822	849	15	–	707	722
Africa	517	4	–	521	409	3	–	412
Asia	17	–	–	17	(3)	–	–	(3)
South Africa: Beverages	1,143	42	–	1,185	942	42	–	984
Corporate	(76)	19	–	(57)	(66)	58	–	(8)
Group	4,502	293	822	5,617	3,974	339	707	5,020

Other segmental information

	Capital expenditure excluding investment activity ¹ 2011 US\$m	Investment activity ² 2011 US\$m	Total 2011 US\$m	Capital expenditure excluding investment activity ¹ 2010 US\$m	Investment activity ² 2010 US\$m	Total 2010 US\$m
Latin America	438	55	493	357	(13)	344
Europe	265	(2)	263	346	8	354
North America	–	171	171	–	317	317
Africa	211	24	235	524	84	608
Asia	54	15	69	48	36	84
South Africa:	275	(68)	207	210	63	273
– Beverages	275	–	275	210	–	210
– Hotels and Gaming	–	(68)	(68)	–	63	63
Corporate	72	3	75	43	6	49
Group	1,315	198	1,513	1,528	501	2,029

¹ Capital expenditure includes additions of intangible assets (excluding goodwill) and property, plant and equipment.

² Investment activity includes acquisitions and disposals of businesses, net investments in associates and joint ventures, purchases of shares in non-controlling interests and purchases and disposals of available for sale investments.

	Depreciation and amortisation	
	2011 US\$m	2010 US\$m
Latin America	461	444
Europe	309	330
Africa	126	94
Asia	29	28
South Africa: Beverages	176	169
Corporate	23	19
Group	1,124	1,084

Notes to the consolidated financial statements

continued

2. Segmental analysis continued

Geographical information

The UK is the group's country of domicile. Those countries which account for more than 10% of the group's total revenue and/or non-current assets are considered individually material and are reported separately below.

Revenue

	2011 US\$m	2010 US\$m
UK	316	270
Colombia	3,145	3,025
Peru	1,565	1,349
South Africa	4,965	4,214
USA	108	97
Rest of world	9,309	9,065
Group	19,408	18,020

Non-current assets

	2011 US\$m	2010 ¹ US\$m
UK	333	302
Colombia	8,355	8,233
Peru	3,331	3,326
South Africa	2,939	2,468
USA	5,968	6,002
Rest of world	13,424	12,700
Group	34,350	33,031

¹ As restated (see note 29).

Non-current assets by location exclude amounts relating to derivative financial instruments and deferred tax assets.

3. Net operating expenses

	2011 US\$m	2010 US\$m
Cost of inventories recognised as an expense	4,640	4,565
– Changes in inventories of finished goods and work in progress	25	34
– Raw materials and consumables used	4,615	4,531
Excise duties ¹	4,263	3,825
Employee costs (see note 6a)	2,240	1,985
Depreciation of property, plant and equipment	904	881
– Owned assets	662	649
– Under finance lease	3	6
– Containers	239	226
Profit on disposal of available for sale investments	–	(2)
Profit on partial disposal of investment in associate	(159)	–
(Profit)/loss on disposal of property, plant and equipment	(5)	39
Amortisation of intangible assets	220	203
– Intangible assets excluding software	158	150
– Software	62	53
Other expenses	4,566	4,184
– Selling, marketing and distribution costs	2,249	2,054
– Repairs and maintenance expenditure on property, plant and equipment	315	295
– Impairment of intangible assets	14	–
– Impairment of property, plant and equipment	31	45
– Impairment of trade and other receivables	91	43
– Operating lease rentals – land and buildings	61	57
– Operating lease rentals – plant, vehicles and systems	78	89
– Research and development expenditure	7	4
– Other operating expenses	1,720	1,597
Total net operating expenses by nature	16,669	15,680
Other income	(388)	(279)
– Revenue received from royalties	(40)	(35)
– Dividends received from investments	(1)	(2)
– Other operating income	(347)	(242)
Net operating expenses	16,281	15,401

¹ Excise duties of US\$4,263 million (2010: US\$3,825 million) have been incurred during the year as follows: Latin America US\$1,639 million (2010: US\$1,517 million); Europe US\$1,160 million (2010: US\$1,075 million); North America US\$2 million (2010: US\$2 million); Africa US\$324 million (2010: US\$282 million); Asia US\$219 million (2010: US\$181 million) and South Africa US\$919 million (2010: US\$768 million). The group's share of MillerCoors' excise duties incurred during the year was US\$719 million (2010: US\$737 million).

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under IAS 39, were a gain of US\$4 million (2010: US\$27 million).

Notes to the consolidated financial statements

continued

3. Net operating expenses continued

The following fees were paid to a number of different accounting firms as auditors of various parts of the group.

	2011 US\$m	2010 US\$m
Group auditors		
Fees payable to the group's auditor and its associates for:		
Auditing of subsidiaries, pursuant to legislation	8	8
Other services supplied pursuant to legislation	1	1
Other services relating to taxation	3	6
Services relating to information technology ¹	1	–
Services relating to corporate finance transactions	–	3
Other services ¹	5	6
Fees payable to the group's auditor for auditing of the parent company's annual accounts	2	2
	20	26
Other auditors		
Fees payable to other auditors for other services:		
Auditing of subsidiaries, pursuant to legislation	2	2
Other services relating to taxation	3	2
Services relating to information technology ¹	5	4
Other services ¹	9	15
	19	23

¹ Principally relating to the business capability programme.

4. Exceptional items

	2011 US\$m	2010 US\$m
Exceptional items included in operating profit:		
Business capability programme costs	(296)	(325)
Broad-Based Black Economic Empowerment scheme costs	(149)	(11)
Profit on partial disposal of investment in associate	159	–
Impairments	(98)	(45)
Integration and restructuring costs	(52)	(78)
Transaction costs	–	(13)
Net exceptional losses included within operating profit	(436)	(472)
Exceptional items included in net finance costs:		
Business capability programme costs	–	(17)
Net exceptional losses included within net finance costs	–	(17)
Share of associates' and joint ventures' exceptional items:		
Loss on transaction in associate	(26)	–
Integration and restructuring costs	(5)	(14)
Unwinding of fair value adjustments on inventory	–	(4)
Share of associates' and joint ventures' exceptional losses	(31)	(18)
Net taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items	2	64

4. Exceptional items continued

Exceptional items included in operating profit

Business capability programme costs

The business capability programme will streamline finance, human resources and procurement activities through the deployment of global systems and introduce common sales, distribution and supply chain management systems. Costs of US\$296 million have been incurred in the year (2010: US\$325 million).

Broad-Based Black Economic Empowerment scheme costs

US\$149 million (2010: US\$11 million) of costs have been incurred in relation to the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. These were IFRS 2 share-based payment charges in relation to the retailer and employee components of the scheme and the costs associated with the scheme.

Profit on partial disposal of investment in associate

In February 2011, a profit of US\$159 million arose on the partial disposal of the group's shareholding in Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun) as part of the Tsogo Sun/Gold Reef Resorts Ltd (GRR) merger (see note 14 for further details).

Impairments

During 2011, impairment charges of US\$98 million were incurred in Europe including charges following the classification of the in-house distribution business in Italy as held for sale and the closure of the Cluj brewery in Romania.

In 2010, an impairment charge of US\$45 million was recorded in Latin America in relation to property, plant and equipment following the announcement of the closure of production facilities at the Bogota brewery in Colombia.

Integration and restructuring costs

During 2011, US\$52 million of restructuring costs were incurred in Europe including the closure of the Cluj brewery and associated restructuring in Romania; retrenchments in the Netherlands; restructuring of distribution in the Canary Islands; and costs associated with the intended disposal of the in-house distribution business in Italy.

In 2010, in Europe US\$64 million of integration and restructuring costs were incurred in Romania, Poland, Slovakia, Italy, the Netherlands and the Canary Islands; and US\$14 million of restructuring costs were incurred in Colombia in Latin America.

Transaction costs

In 2010, costs of US\$13 million were incurred in relation to transaction services and were treated as exceptional in the Corporate division.

Exceptional items included in net finance costs

Business capability programme costs

In 2010, a charge of US\$17 million was incurred to reflect differences on the fair valuation of financial instruments as a result of the business capability programme and resultant changes in treasury systems used and their differing valuation methodologies.

Share of associates' and joint ventures' exceptional items

Loss on transaction in associate

During 2011, the group's share of the impairment loss on Tsogo Sun's existing holding in GRR as a result of the merger transaction between these two businesses and costs associated with the transaction was US\$26 million.

Integration and restructuring costs

During 2011, the group's share of MillerCoors' integration and restructuring costs was US\$5 million, primarily related to severance costs (2010: US\$14 million primarily related to relocation and severance costs).

Unwinding of fair value adjustments on inventory

In 2010, the group's share of MillerCoors' charge to operating profit in the year relating to the unwind of the fair value adjustment to inventory was US\$4 million.

Net taxation credits relating to subsidiaries' and the group's share of associates' and joint ventures' exceptional items

Net taxation credits of US\$2 million (2010: US\$64 million) arose in relation to exceptional items during the year and include US\$2 million (2010: US\$7 million) in relation to MillerCoors although the tax credit is recognised in Miller Brewing Company (see note 7).

Notes to the consolidated financial statements

continued

5. Net finance costs

	2011 US\$m	2010 US\$m
a. Interest payable and similar charges		
Interest payable on bank loans and overdrafts	123	162
Interest payable on derivatives	163	216
Interest payable on corporate bonds	408	389
Interest element of finance leases payments	1	1
Net exchange gains on financing activities	(14)	(51)
Net exchange losses on dividends ¹	9	–
Fair value losses on financial instruments:		
– Fair value losses on dividend-related derivatives ¹	–	9
– Fair value losses on standalone derivative financial instruments	153	104
– Ineffectiveness of net investment hedges ¹	4	8
Change in valuation methodology of financial instruments ¹	–	17
Other finance charges	36	24
Total interest payable and similar charges	883	879
b. Interest receivable and similar income		
Interest receivable	48	60
Interest receivable on derivatives	212	217
Fair value gains on financial instruments:		
– Fair value gains on standalone derivative financial instruments	92	28
– Fair value gains on dividend-related derivatives ¹	6	–
Net exchange gains on dividends ¹	–	9
Other finance income	–	2
Total interest receivable and similar income	358	316
Net finance costs	525	563

¹ These items have been excluded from the determination of adjusted earnings per share. Adjusted net finance costs are therefore US\$518 million (2010: US\$538 million).

Refer to note 23 – Financial risk factors for interest rate risk information.

6. Employee and key management compensation costs

a. Employee costs

	2011 US\$m	2010 US\$m
Wages and salaries	1,837	1,631
Share-based payments	130	80
Social security costs	172	168
Pension costs	114	106
Post-retirement benefits other than pensions	5	13
	2,258	1,998

Of the US\$2,258 million employee costs shown above, US\$18 million (2010: US\$13 million) has been capitalised within intangible assets and property, plant and equipment.

b. Employee numbers

The average monthly number of employees are shown on a full-time equivalent basis, excluding employees of associated and joint venture undertakings and including executive directors.

	2011 Number	2010 Number
Latin America	25,691	24,979
Europe	14,239	15,201
North America	51	50
Africa	13,481	12,182
Asia	3,358	4,494
South Africa	11,897	12,885
Corporate	495	340
Group	69,212	70,131

6. Employee and key management compensation costs continued

c. Key management compensation

The directors of the group and members of the executive committee (excom) are defined as key management. At 31 March 2011, there were 24 (2010: 25) key management.

	2011 US\$m	2010 US\$m
Salaries and short-term employee benefits	26	30
Post-employment benefits	1	2
Share-based payments	31	21
	58	53

The key management figures given above include the directors.

d. Directors

	2011 US\$m	2010 US\$m
Aggregate emoluments £6,559,226 (2010: £5,488,539)	10	9
Aggregate gains made on the exercise of share options or vesting of share awards	2	29
Company contributions to money purchase schemes £nil (2010: £549,600)	–	1
	12	39

At 31 March 2011, two directors (2010: two) had retirement benefits accruing under money purchase pension schemes.

Full details of individual directors' remuneration are given in the remuneration report on pages 65 to 75.

7. Taxation

	2011 US\$m	2010 US\$m
Current taxation	808	725
– Charge for the year (UK corporation tax: US\$11 million (2010: US\$6 million))	817	755
– Adjustments in respect of prior years	(9)	(30)
Withholding taxes and other remittance taxes	101	77
Total current taxation	909	802
Deferred taxation	160	46
– Charge for the year (UK corporation tax: US\$nil (2010: US\$nil))	183	71
– Adjustments in respect of prior years	(16)	(14)
– Rate change	(7)	(11)
Taxation expense	1,069	848
Tax (credit)/charge relating to components of other comprehensive income is as follows:		
Deferred tax credit on actuarial gains and losses	(36)	(10)
Deferred tax charge on financial instruments	14	46
	(22)	36
Total current tax	909	802
Total deferred tax	138	82
Total taxation	1,047	884
Effective tax rate (%)	28.2	28.5

See the financial definitions section for the definition of the effective tax rate. The calculation is on a basis consistent with that used in prior years and is also consistent with other group operating metrics. Tax on amortisation of intangible assets (excluding software) was US\$58 million (2010: US\$54 million).

MillerCoors is not a taxable entity. The tax balances and obligations therefore remain with Miller Brewing Company as a 100% subsidiary of the group. This subsidiary's tax charge includes tax (including deferred tax) on the group's share of the taxable profits of MillerCoors and includes tax in other comprehensive income on the group's share of MillerCoors' taxable items included within other comprehensive income.

Notes to the consolidated financial statements

continued

7. Taxation continued

Tax rate reconciliation

	2011 US\$m	2010 US\$m
Profit before taxation	3,626	2,929
Less: Share of post-tax results of associates and joint ventures	(1,024)	(873)
	2,602	2,056
Tax charge at standard UK rate of 28% (2010: 28%)	729	576
Exempt income	(21)	(30)
Other incentive allowances	(20)	(17)
Expenses not deductible for tax purposes	131	79
Deferred taxation on changes in tax legislation within Europe division countries	(64)	–
Deferred tax asset not recognised	32	28
Tax impact of MillerCoors joint venture	198	154
Withholding taxes and other remittance taxes	101	71
Other taxes	36	20
Adjustments in respect of foreign tax rates	(22)	14
Adjustments in respect of prior periods	(25)	(44)
Deferred taxation rate change	(7)	(11)
Deferred taxation on unremitted earnings of overseas subsidiaries	1	8
Total taxation expense	1,069	848

8. Earnings per share

	2011 US cents	2010 US cents
Basic earnings per share	152.8	122.6
Diluted earnings per share	151.8	122.1
Headline earnings per share	150.8	127.3
Adjusted basic earnings per share	191.5	161.1
Adjusted diluted earnings per share	190.3	160.4

The weighted average number of shares was:

	2011 Millions of shares	2010 Millions of shares
Ordinary shares	1,656	1,641
Treasury shares	(72)	(77)
EBT ordinary shares	(8)	(6)
Basic shares	1,576	1,558
Dilutive ordinary shares	10	6
Diluted shares	1,586	1,564

The calculation of diluted earnings per share excludes 9,045,847 (2010: 6,920,802) share options that were non-dilutive for the year because the exercise price of the option exceeded the fair value of the shares during the year, 12,842,609 (2010: 10,485,166) share awards that were non-dilutive for the year because the performance conditions attached to the share awards have not been met and 732,869 shares in relation to the employee component of the BBBEE scheme that were non-dilutive for the year. These share incentives could potentially dilute earnings per share in the future.

10,699,325 share incentives were granted after 31 March 2011 and before the date of signing of these financial statements.

8. Earnings per share continued

Adjusted and headline earnings

The group presents an adjusted earnings per share figure which excludes the impact of amortisation of intangible assets (excluding software), certain non-recurring items and post-tax exceptional items in order to present an additional measure of performance for the years shown in the consolidated financial statements. Adjusted earnings per share has been based on adjusted earnings for each financial year and on the same number of weighted average shares in issue as the basic earnings per share calculation. Headline earnings per share has been calculated in accordance with the South African Circular 3/2009 entitled 'Headline Earnings' which forms part of the listing requirements for the JSE Ltd (JSE). The adjustments made to arrive at headline earnings and adjusted earnings are as follows.

	2011 US\$m	2010 US\$m
Profit for the year attributable to equity holders of the parent	2,408	1,910
Headline adjustments		
Impairment of business held for sale	53	–
Impairment of intangible assets	14	–
Impairment of property, plant and equipment	31	45
(Profit)/loss on disposal of property, plant and equipment	(5)	39
Profit on partial disposal of investment in associate	(159)	–
Profit on disposal of available for sale investments	–	(2)
Tax effects of the above items	14	(17)
Non-controlling interests' share of the above items	1	9
Share of joint ventures' and associates' headline adjustments, net of tax and non-controlling interests	20	–
Headline earnings	2,377	1,984
Business capability programme costs	296	342
Broad-Based Black Economic Empowerment scheme costs	149	11
Integration and restructuring costs	52	41
Transaction costs	–	13
Net loss on fair value movements on capital items ¹	7	8
Amortisation of intangible assets (excluding software)	158	150
Tax effects of the above items	(71)	(101)
Non-controlling interests' share of the above items	(10)	(6)
Share of joint ventures' and associates' other adjustments, net of tax and non-controlling interests	60	67
Adjusted earnings	3,018	2,509

¹ This does not include all fair value movements but includes those in relation to capital items for which hedge accounting cannot be applied.

9. Dividends

	2011 US\$m	2010 US\$m
Equity		
2010 Final dividend paid: 51.0 US cents (2009: 42.0 US cents) per ordinary share	806	654
2011 Interim dividend paid: 19.5 US cents (2010: 17.0 US cents) per ordinary share	309	270
	1,115	924

In addition, the directors are proposing a final dividend of 61.5 US cents per share in respect of the financial year ended 31 March 2011, which will absorb an estimated US\$971 million of shareholders' funds. If approved by shareholders, the dividend will be paid on 12 August 2011 to shareholders registered on the London and Johannesburg registers on 5 August 2011. The total dividend per share for the year is 81.0 US cents (2010: 68.0 US cents).

Treasury shares are not entitled to dividends and the employees' benefit trust (EBT) which holds shares for the various executive share incentive plans has waived its rights to dividends.

Notes to the consolidated financial statements

continued

10. Goodwill

	US\$m
Cost	
At 1 April 2009	9,049
Exchange adjustments	1,677
Arising on increase in share of subsidiary undertakings	1,125
Acquisitions – through business combinations	67
At 31 March 2010¹	11,918
Exchange adjustments	348
Acquisitions – through business combinations (provisional) (see note 30)	41
At 31 March 2011	12,307
Accumulated impairment	
At 1 April 2009	333
Exchange adjustments	6
At 31 March 2010	339
Exchange adjustments	16
At 31 March 2011	355
Net book amount	
At 1 April 2009	8,716
At 31 March 2010 ¹	11,579
At 31 March 2011	11,952

¹ As restated (see note 29).

2011

Provisional goodwill arose on the acquisition through business combinations in the year of Cervecería Argentina S.A. Isenbeck (CASA Isenbeck) in Argentina and Crown Foods Ltd in Kenya (see note 30). The fair value exercises in respect of these business combinations have yet to be completed.

2010

Additional goodwill arose on the acquisition through business combinations of Ambo Mineral Water Share Company in Ethiopia, Rwenzori Bottling Company Ltd in Uganda, the maheu business in Zambia and Bere Azuga in Romania, together with goodwill which arose on the increase in the group's share of subsidiary undertakings primarily related to the buyout of non-controlling interests in Poland. The fair value exercises in respect of these business combinations are now complete.

Goodwill is monitored principally on an individual country basis and the net book value is allocated by cash generating unit (CGU) as follows.

	2011 US\$m	2010 ¹ US\$m
CGUs:		
Latin America:		
– Central America	830	830
– Colombia	4,590	4,474
– Peru	1,667	1,645
– Other Latin America	240	204
Europe:		
– Czech Republic	1,046	933
– Netherlands	109	104
– Italy	457	437
– Poland	1,343	1,331
– Other Europe	126	122
North America	256	256
Africa	184	190
Asia:		
– India	392	390
– Other Asia	12	13
South Africa	700	650
	11,952	11,579

¹ As restated (see note 29).

10. Goodwill continued

Assumptions

The recoverable amount for a CGU is determined based on value in use calculations. Value in use is determined by discounting the future post-tax cash flows generated from continuing use of the CGU using a post-tax discount rate, as this closely approximates to applying pre-tax discount rates to pre-tax cash flows. Where a potential impairment is identified using post-tax cash flows and post-tax discount rates, the impairment review is re-performed on a pre-tax basis in order to determine the impairment loss to be recorded. The key assumptions for the value in use calculations are as follows:

Expected volume growth rate – Cash flows are based on financial forecasts approved by management covering five-year periods and are dependent on the expected volume growth rates.

Discount rate – The discount rate (weighted average cost of capital) is calculated using a methodology which reflects the returns from United States Treasury notes with a maturity of 20 years, and an equity risk premium adjusted for specific industry and country risks. The group applies local post-tax discount rates to local post-tax cash flows.

Long-term growth rate – Cash flows after the first five-year period were extrapolated using a long-term growth rate, in order to calculate the terminal recoverable amount.

The following table presents the key assumptions used in the value in use calculations in each of the group's operating segments:

	Expected volume growth rates 2012-2016	Post-tax discount rates	Long-term growth rates
Latin America	3.3%–5.8%	8.2%–11.1%	2.0%–3.0%
Europe	1.2%–12.8%	7.9%–9.7%	2.0%–2.5%
North America	6.2%	7.4%	2.5%
Africa	1.7%–12.8%	8.2%–18.9%	3.0%–7.5%
Asia	6.3%–21.4%	8.4%–10.2%	3.0%–7.0%
South Africa	2.6%	8.7%	3.0%

Impairment reviews results

As a result of the annual impairment reviews, no impairment losses have been recognised in the year (2010: US\$nil).

Sensitivities to assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonably possible change in a single assumption will not cause an impairment loss in any of the group's CGUs.

Notes to the consolidated financial statements

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11. Intangible assets

	Brands US\$m	Computer software US\$m	Other US\$m	Total US\$m
Cost				
At 1 April 2009	3,974	269	65	4,308
Exchange adjustments	718	39	2	759
Additions – separately acquired	–	92	1	93
Acquisitions – through business combinations	32	–	1	33
Transfers from property, plant and equipment	–	30	2	32
At 31 March 2010	4,724	430	71	5,225
Exchange adjustments	106	21	4	131
Additions – separately acquired	20	102	4	126
Acquisitions – through business combinations (see note 30)	7	–	–	7
Transfers	–	3	(3)	–
Transfers from property, plant and equipment	–	8	–	8
Disposals	–	(23)	–	(23)
Transfers to disposal group classified as held for sale (see note 19)	–	(1)	(28)	(29)
At 31 March 2011	4,857	540	48	5,445
Accumulated amortisation and impairment				
At 1 April 2009	393	151	22	566
Exchange adjustments	80	19	3	102
Amortisation	144	53	6	203
At 31 March 2010	617	223	31	871
Exchange adjustments	14	13	3	30
Amortisation	151	62	7	220
Disposals	–	(22)	–	(22)
Impairment	–	–	14	14
Transfers to disposal group classified as held for sale (see note 19)	–	(1)	(28)	(29)
At 31 March 2011	782	275	27	1,084
Net book amount				
At 1 April 2009	3,581	118	43	3,742
At 31 March 2010	4,107	207	40	4,354
At 31 March 2011	4,075	265	21	4,361

The impairment charge of US\$14 million in the year related to the impairment of intangible assets subsequently transferred to disposal group classified as held for sale (2010: US\$nil).

At 31 March 2011, significant individual brands included within the carrying value of intangible assets are as follows.

	2011 US\$m	2010 US\$m	Amortisation period remaining (years)
Brand carrying value			
Aguila (Colombia)	1,529	1,533	34
Cristal (Peru)	634	643	34
Grolsch (Netherlands)	492	482	37

12. Property, plant and equipment

	Assets in course of construction US\$m	Land and buildings US\$m	Plant, vehicles and systems US\$m	Returnable containers US\$m	Total US\$m
Cost					
At 1 April 2009	745	2,682	6,022	1,600	11,049
Exchange adjustments	59	460	1,135	291	1,945
Additions	520	139	513	268	1,440
Acquisitions – through business combinations	–	13	22	2	37
Breakages and shrinkage	–	–	–	(58)	(58)
Transfers	(748)	124	574	50	–
Transfers to intangible assets	(32)	–	–	–	(32)
Disposals	(1)	(31)	(258)	(48)	(338)
At 31 March 2010	543	3,387	8,008	2,105	14,043
Exchange adjustments	3	126	300	87	516
Additions	551	45	352	273	1,221
Acquisitions – through business combinations (see note 30)	–	11	11	–	22
Breakages and shrinkage	–	–	–	(172)	(172)
Transfers	(733)	222	462	49	–
Transfers to intangible assets	(6)	–	(2)	–	(8)
Transfers to disposal group classified as held for sale (see note 19)	–	(5)	(66)	–	(71)
Disposals	–	(46)	(276)	(97)	(419)
At 31 March 2011	358	3,740	8,789	2,245	15,132
Accumulated depreciation and impairment					
At 1 April 2009	–	402	2,552	689	3,643
Exchange adjustments	–	81	583	144	808
Provided during the year	–	72	583	226	881
Breakages and shrinkage	–	–	–	(18)	(18)
Impairment	–	–	45	–	45
Transfers	–	–	(3)	3	–
Disposals	–	(2)	(208)	(21)	(231)
At 31 March 2010	–	553	3,552	1,023	5,128
Exchange adjustments	–	33	175	50	258
Provided during the year	–	80	585	239	904
Breakages and shrinkage	–	–	–	(123)	(123)
Impairment	–	10	21	–	31
Transfers to disposal group classified as held for sale (see note 19)	–	(5)	(66)	–	(71)
Transfers	–	–	(3)	3	–
Disposals	–	(4)	(248)	(73)	(325)
At 31 March 2011	–	667	4,016	1,119	5,802
Net book amount					
At 1 April 2009	745	2,280	3,470	911	7,406
At 31 March 2010	543	2,834	4,456	1,082	8,915
At 31 March 2011	358	3,073	4,773	1,126	9,330

Included in land and buildings is freehold land with a cost of US\$616 million (2010: US\$624 million) which is not depreciated.

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12. Property, plant and equipment continued

Included in plant, vehicles and systems are the following amounts relating to assets held under finance leases.

	2011 US\$m	2010 US\$m
Net book amount	13	20

Included in the amounts above are the following amounts in respect of borrowing costs capitalised.

	2011 US\$m	2010 US\$m
At 1 April	58	31
Exchange adjustments	2	5
Amortised during the year	(6)	(3)
Capitalised during the year	2	25
At 31 March	56	58

Borrowing costs of US\$2 million (2010: US\$25 million) were capitalised during the year at an effective rate of 8.00% (2010: 9.93%). It is anticipated that of the borrowing costs capitalised during the year, potentially US\$2 million (2010: US\$9 million) will be available for tax relief.

Borrowings are secured by various of the group's property, plant and equipment with an aggregate net book value of US\$161 million (2010: US\$207 million).

13. Investments in joint ventures

A list of the group's significant investments in joint ventures, including the name, country of incorporation and proportion of ownership interest is given in note 35 to the consolidated financial statements.

	US\$m
At 1 April 2009	5,495
Exchange adjustments	11
Investments in joint ventures	353
Share of results retained	536
Share of gains recognised in other comprehensive income	134
Dividends received	(707)
At 31 March 2010	5,822
Exchange adjustments	12
Investments in joint ventures	186
Share of results retained	667
Share of losses recognised in other comprehensive income	(52)
Dividends received	(822)
At 31 March 2011	5,813

Summarised financial information for the group's interest in joint ventures is shown below.

	2011 US\$m	2010 US\$m
Revenue	5,157	5,168
Expenses	(4,489)	(4,631)
Profit after tax	668	537
Non-current assets	5,837	5,842
Current assets	675	649
Current liabilities	(531)	(564)
Non-current liabilities	(783)	(722)

14. Investments in associates

A list of the group's significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in note 35 to the consolidated financial statements.

	US\$m
At 1 April 2009	1,787
Exchange adjustments	90
Investments in associates	76
Repayment of investments by associates	(3)
Share of results retained	337
Share of gains recognised in other comprehensive income	2
Dividends receivable	(109)
Transfer from other assets	33
At 31 March 2010	2,213
Exchange adjustments	136
Investments in associates	168
Repayment of investments by associates	(68)
Share of results retained	357
Share of gains recognised in other comprehensive income	2
Dividends receivable	(89)
At 31 March 2011	2,719

2011

On 24 February 2011, the Tsogo Sun Group merged with Gold Reef Resorts Ltd (GRR), a Johannesburg Stock Exchange listed business, through an all share merger. The transaction was effected through the acquisition by GRR of Tsogo Sun, and the group exchanged its entire 49% shareholding in Tsogo Sun for a 39.68% shareholding in the listed enlarged entity and resulted in a profit of US\$159 million on the partial disposal of the group's shareholding in Tsogo Sun and a loss of US\$26 million being the group's share of the associate's loss on the merger transaction. The increase in the investments in associates in the year includes US\$159 million being the group's share of the fair value uplift on the investment in the enlarged entity.

On 4 November 2010, Tsogo Sun Gaming (Pty) Ltd, a wholly owned subsidiary of the group's associate, Tsogo Sun, repaid the R490 million (US\$68 million) preference shares issued to SABSA Holdings (Pty) Ltd, a wholly owned subsidiary of the group.

2010

On 12 October 2009, SABSA Holdings (Pty) Ltd subscribed for R490 million (US\$63 million) preference shares in Tsogo Sun Gaming (Pty) Ltd as the group's share of the funding for the 30% increase in the Tsogo Sun group's effective interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd, the licensee and operator of the Suncoast Casino in Durban.

The analysis of associated undertakings between listed and unlisted investments is shown below.

	2011 US\$m	2010 US\$m
Listed	662	189
Unlisted	2,057	2,024
	2,719	2,213
The market value of listed investments included above is:		
– Distell Group Ltd	624	547
– Delta Corporation Ltd	188	126
– Gold Reef Resorts Ltd	1,028	–

Summarised financial information for associates for total assets, total liabilities, revenue and profit or loss on a 100% basis is shown below.

	2011 US\$m	2010 US\$m
Total assets	14,046	10,020
Total liabilities	(5,730)	(3,745)
Revenue	10,921	9,363
Net profit	1,276	1,321

Delta Corporation Ltd, a listed associate undertaking of the group which operates in Zimbabwe, was included within the group's results with effect from 1 April 2010 following the effective 'dollarisation' of the economy in 2009, the end of hyperinflation and the stabilisation of the local economy. Some of the group's investments in associated undertakings which operate in African countries are also subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

Notes to the consolidated financial statements

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15. Available for sale investments

	US\$m
At 1 April 2009	40
Exchange adjustments	5
Additions	6
Transfer to subsidiary undertaking	(11)
Disposals	(12)
Net gains transferred to other comprehensive income	4
At 31 March 2010	32
Exchange adjustments	1
Additions	3
Impairment	(1)
At 31 March 2011	35

	2011 US\$m	2010 US\$m
Analysed as:		
Non-current	35	31
Current	–	1
	35	32

The impairment during the year related to the full impairment of the available for sale investments subsequently transferred to disposal group classified as held for sale.

Available for sale investments are denominated in the following currencies.

	2011 US\$m	2010 US\$m
SA rand	18	14
US dollars	9	9
Peruvian nuevo sol	3	3
Other currencies	5	6
	35	32

An analysis of available for sale investments between listed and unlisted is shown below.

	2011 US\$m	2010 US\$m
Listed	3	4
Unlisted	32	28
	35	32

The fair values of unlisted investments are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to unlisted securities, or by reference to valuations provided by third party investment managers. The fair value of listed investments have been determined by reference to quoted stock exchanges.

The maximum exposure to credit risk at the reporting date is the fair value of the securities classified as available for sale.

16. Inventories

	2011 US\$m	2010 US\$m
Raw materials and consumables	746	760
Work in progress	122	146
Finished goods and goods for resale	388	389
	1,256	1,295

16. Inventories continued

The following amount of inventories are expected to be utilised after 12 months.

	2011 US\$m	2010 US\$m
Raw materials and consumables	35	22

There were no borrowings secured on the inventories of the group (2010: US\$nil).

An impairment charge of US\$20 million was recognised in respect of inventories during the year (2010: US\$20 million).

17. Trade and other receivables

	2011 US\$m	2010 US\$m
Trade receivables	1,380	1,411
Less: provision for impairment	(147)	(156)
Trade receivables – net	1,233	1,255
Other receivables	463	406
Less: provision for impairment	(14)	(11)
Other receivables – net	449	395
Amounts owed by associates – trade	12	3
Amounts owed by joint ventures – trade	5	4
Prepayments and accrued income	128	125
Total trade and other receivables	1,827	1,782

Analysed as:

Current

Trade receivables – net	1,219	1,244
Other receivables – net	326	291
Amounts owed by associates – trade	12	3
Amounts owed by joint ventures – trade	5	4
Prepayments and accrued income	125	123
	1,687	1,665

Non-current

Trade receivables – net	14	11
Other receivables – net	123	104
Prepayments and accrued income	3	2
	140	117

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

At 31 March 2011, trade and other receivables of US\$333 million (2010: US\$405 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The ageing of these trade and other receivables is shown below.

	Fully performing US\$m	Within 30 days US\$m	30-60 days US\$m	60-90 days US\$m	90-180 days US\$m	Past due Over 180 days US\$m
At 31 March 2011						
Trade receivables	944	133	53	23	23	37
Other receivables	180	36	8	5	6	9
Amounts owed by associates – trade	12	–	–	–	–	–
Amounts owed by joint ventures – trade	5	–	–	–	–	–
At 31 March 2010						
Trade receivables	875	183	51	33	37	47
Other receivables	192	21	10	9	3	11
Amounts owed by associates – trade	3	–	–	–	–	–
Amounts owed by joint ventures – trade	4	–	–	–	–	–

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continued

17. Trade and other receivables continued

The group holds collateral as security for past due trade receivables to the value of US\$33 million (2010: US\$52 million) and for past due other receivables of US\$1 million (2010: US\$nil).

At 31 March 2011, trade receivables of US\$167 million (2010: US\$185 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2011 was US\$147 million (2010: US\$156 million) and reflects trade receivables from customers which are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group holds collateral as security against specifically impaired trade receivables with a fair value of US\$4 million (2010: US\$6 million).

At 31 March 2011, other receivables of US\$15 million (2010: US\$12 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2011 was US\$14 million (2010: US\$11 million) and reflects loans to customers which are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered. The group did not hold collateral as security against specifically impaired other receivables at 31 March 2011 or 31 March 2010.

Collateral held primarily includes bank guarantees, charges over assets and concurrent amounts owing to associates.

The carrying amounts of trade and other receivables are denominated in the following currencies.

	2011 US\$m	2010 US\$m
SA rand	397	366
US dollars	175	189
Euro	229	342
Colombian peso	138	123
Czech koruna	97	95
British pound	87	42
Polish zloty	160	131
Other currencies	544	494
	1,827	1,782

Movements on the provisions for impairment of trade receivables and other receivables are as follows.

	Trade receivables		Other receivables	
	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m
At 1 April	(156)	(121)	(11)	(10)
Provision for receivables impairment	(89)	(42)	(2)	(1)
Receivables written off during the year as uncollectible	35	21	–	2
Acquisitions – through business combinations	(1)	–	–	–
Transfers to disposal group classified as held for sale	73	–	–	–
Exchange adjustments	(9)	(14)	(1)	(2)
At 31 March	(147)	(156)	(14)	(11)

The creation of provisions for impaired receivables is included in net operating expenses in the income statement (see note 3).

18. Cash and cash equivalents

	2011 US\$m	2010 US\$m
Short-term deposits	551	278
Cash at bank and in hand	516	501
	1,067	779

Cash and short-term deposits of US\$143 million (2010: US\$105 million) are held in African countries (including South Africa) and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The group operates notional cash pools. The structures facilitate interest and balance compensation of cash and bank overdrafts. These notional pooling arrangements meet the set-off rules under IFRS and, as a result, the cash and overdraft balances have been reported net on the balance sheet.

19. Disposal group held for sale

In line with the group's strategy to improve value in the Italian market the group is in discussions to dispose of its in-house distribution business. The assets and liabilities related to this business have been presented as held for sale. The disposal group is presented within Europe in accordance with IFRS 8 'Operating Segments'.

a. Assets of disposal group classified as held for sale

	2011 US\$m	2010 US\$m
Inventories	19	–
Trade and other receivables	38	–
Current tax assets	5	–
Cash and cash equivalents	4	–
	66	–

b. Liabilities of disposal group classified as held for sale

	2011 US\$m	2010 US\$m
Trade and other payables	55	–
Current tax liabilities	1	–
Provisions	10	–
	66	–

20. Trade and other payables

	2011 US\$m	2010 ¹ US\$m
Trade payables	1,103	1,058
Accruals	760	695
Deferred income	20	22
Containers in the hands of customers	490	455
Amounts owed to associates – trade	24	38
Amounts owed to joint ventures – trade	16	23
Deferred consideration for acquisitions	3	10
Excise duty payable	365	337
VAT and other taxes payable	189	181
Other payables	612	554
Total trade and other payables	3,582	3,373

Analysed as:

Current

Trade payables	1,103	1,058
Accruals	760	695
Deferred income	6	6
Containers in the hands of customers	490	455
Amounts owed to associates – trade	24	38
Amounts owed to joint ventures – trade	16	23
Deferred consideration for acquisitions	1	7
Excise duty payable	365	337
VAT and other taxes payable	189	181
Other payables	530	428
	3,484	3,228

Non-current

Deferred income	14	16
Deferred consideration for acquisitions	2	3
Other payables	82	126
	98	145

¹ As restated (see note 29).

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continued

21. Deferred taxation

The movement on the net deferred tax liability is shown below.

	2011 US\$m	2010 US\$m
At 1 April	2,210	1,869
Exchange adjustments	45	258
Acquisitions – through business combinations	1	1
Rate change	(7)	(11)
Charged to the income statement	167	57
Deferred tax on items credited/(charged) to other comprehensive income:		
– Financial instruments	14	46
– Actuarial gains and losses	(36)	(10)
At 31 March	2,394	2,210

The movements in deferred tax assets and liabilities (after offsetting of balances as permitted by IAS 12) during the year are shown below.

	Fixed asset allowances US\$m	Pensions and post- retirement benefit provisions US\$m	Intangibles US\$m	Financial instruments US\$m	Investment in MillerCoors joint venture US\$m	Other timing differences US\$m	Total US\$m
Deferred tax liabilities							
At 1 April 2009	520	(10)	1,044	(55)	455	76	2,030
Exchange adjustments	101	(3)	204	(4)	–	(29)	269
Acquisitions – through business combinations	1	–	–	–	–	–	1
Rate change	(2)	–	–	–	–	(9)	(11)
Transfers from deferred tax assets	(11)	–	–	–	–	(2)	(13)
Charged/(credited) to the income statement	47	(2)	(38)	(26)	93	(17)	57
Deferred tax on items credited/(charged) to other comprehensive income:							
– Financial instruments	–	–	–	(12)	58	–	46
– Actuarial gains and losses	–	2	–	–	(7)	–	(5)
At 31 March 2010	656	(13)	1,210	(97)	599	19	2,374
Exchange adjustments	23	1	27	(1)	–	(4)	46
Acquisitions – through business combinations	–	–	–	–	–	1	1
Rate change	(2)	–	(9)	–	–	1	(10)
Transfers from deferred tax assets	(3)	(5)	–	–	27	(53)	(34)
Charged/(credited) to the income statement	37	10	(41)	43	142	32	223
Deferred tax on items credited/(charged) to other comprehensive income:							
– Financial instruments	–	–	–	7	7	–	14
– Actuarial gains and losses	–	(9)	–	–	(27)	–	(36)
At 31 March 2011	711	(16)	1,187	(48)	748	(4)	2,578

	Fixed asset allowances US\$m	Pensions and post- retirement benefit provisions US\$m	Provisions and accruals US\$m	Other timing differences US\$m	Total US\$m
Deferred tax assets					
At 1 April 2009	15	2	41	103	161
Exchange adjustments	1	–	6	4	11
Transfers to deferred tax liabilities	(11)	–	–	(2)	(13)
(Charged)/credited to the income statement	(2)	–	20	(18)	–
Deferred tax on items credited to other comprehensive income:					
– Actuarial gains and losses	–	5	–	–	5
At 31 March 2010	3	7	67	87	164
Exchange adjustments	–	–	1	–	1
Rate change	–	–	–	(3)	(3)
Transfers to deferred tax liabilities	(3)	(5)	(21)	(5)	(34)
(Charged)/credited to the income statement	–	(2)	13	45	56
At 31 March 2011	–	–	60	124	184

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

21. Deferred taxation continued

The deferred tax asset arises due to timing differences in Europe, Africa, Asia and Latin America. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

Deferred tax liabilities of US\$2,568 million (2010: US\$2,349 million) are expected to fall due after more than one year.

Deferred tax assets of US\$103 million (2010: US\$102 million) are expected to be recovered after more than one year.

	2011 US\$m	2010 US\$m
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	144	113
Tax credits	40	36
Capital allowances in excess of depreciation	11	13
Share-based payments	29	17
Other deductible temporary differences	113	1
	337	180

A significant part of the tax losses arise in the UK. The value of the losses have been calculated at the substantively enacted rate of 26%. It was announced that the rate will fall annually to 25%, 24% and 23% commencing 1 April 2012. The impact of these reductions is not anticipated to have a material impact on the financial statements.

The deferred tax assets will not expire, with the exception of US\$40 million (2010: US\$36 million) tax credits which will expire if conditions for utilisation are not met.

Deferred tax is recognised on the unremitted earnings of overseas subsidiaries where there is an intention to distribute those reserves. A deferred tax liability of US\$31 million (2010: US\$31 million) has been recognised. A deferred tax liability of US\$75 million (2010: US\$46 million) has also been recognised in respect of unremitted profits of associates where a dividend policy is not in place. No deferred tax has been recognised on temporary differences of US\$6,900 million (2010: US\$5,600 million) relating to unremitted earnings of overseas subsidiaries where either the overseas profits will not be distributed in the foreseeable future, or, where there are plans to remit overseas earnings of subsidiaries, it is not expected that such distributions will give rise to a tax liability. No deferred tax liability is recognised as the group is able to control the timing of the reversal of these differences and it is probable that they will not reverse in the foreseeable future.

As a result of UK legislation which largely exempts from UK tax the overseas dividends received, the temporary differences arising on unremitted profits are unlikely to lead to additional corporate taxes. However, remittance to the UK of those earnings may still result in a tax liability, principally as a result of withholding taxes levied by the overseas tax jurisdictions in which those subsidiaries operate.

22. Borrowings

	2011 US\$m	2010 US\$m
Current		
Secured		
Overdrafts	21	34
Obligations under finance leases	4	5
Other secured loans	10	46
	35	85
Unsecured		
US\$600 million 6.2% Notes due 2011 ¹	609	–
Botswana pula 60 million 11.35% fixed rate bond due 2011 ²	–	9
Commercial paper ^{3,4}	–	633
Other unsecured loans	464	722
Overdrafts	237	156
	1,310	1,520
Total current borrowings	1,345	1,605

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

¹ On 28 June 2006 SABMiller plc issued US\$600 million, 6.2% Notes due July 2011. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount. In addition, the notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

² On 28 July 2004 a 60 million Botswana pula, 11.35% unsecured private bond was placed in the Botswana debt capital market. This bond matured on 31 March 2011.

³ In October 2006 SABMiller plc entered into a US\$1,000 million commercial paper programme for general corporate purposes.

⁴ On 17 July 2007 SABSA Holdings (Pty) Ltd and SABFIN (Pty) Ltd established a ZAR4,000 million Domestic Medium Term Note Programme under which commercial paper may be issued. On 24 December 2008 the programme was increased to ZAR6,000 million. Debt issued under the programme is guaranteed by SABMiller plc.

Notes to the consolidated financial statements

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22. Borrowings continued

	2011 US\$m	2010 US\$m
Non-current		
Secured		
Obligations under finance leases	5	7
Other secured loans	152	128
	157	135
Unsecured		
US\$1,100 million 5.5% Notes due 2013 ^{1,2,3}	1,138	1,142
€1,000 million 4.5% Notes due 2015 ^{3,4}	1,417	1,365
US\$300 million 6.625% Notes due 2033 ^{2,3,5}	361	352
US\$600 million 6.2% Notes due 2011 ^{2,3,6}	–	608
US\$850 million 6.5% Notes due 2016 ^{2,3,6}	943	939
US\$550 million 5.7% Notes due 2014 ^{2,3,7}	594	591
US\$700 million 6.5% Notes due 2018 ^{2,3,7}	759	747
PEN150 million 6.75% Notes due 2015 ^{3,8}	53	53
COP640 billion IPC + 7.3% Ordinary Bonds due 2014 ⁹	387	390
COP561.8 billion IPC + 6.52% Ordinary Bonds due 2015 ⁹	335	335
COP370 billion IPC + 8.18% Ordinary Bonds due 2012 ⁹	213	218
COP338.5 billion IPC + 7.5% Ordinary Bonds due 2013 ⁹	199	202
ZAR1,600 million 9.935% Notes due 2012 ^{3,10}	236	219
US\$600 million multi-currency revolving credit facility ¹¹	–	250
Other unsecured loans	323	263
	6,958	7,674
Total non-current borrowings	7,115	7,809
Total current and non-current borrowings	8,460	9,414
Analysed as:		
Borrowings	8,193	9,212
Obligations under finance leases	9	12
Overdrafts	258	190
	8,460	9,414

The fair value of non-current borrowings is US\$7,587 million (2010: US\$8,351 million). The fair values are based on cash flows discounted using prevailing interest rates.

¹ On 7 August 2003 Miller Brewing Company issued US\$1,100 million, 5.5% Notes due August 2013. Since 1 July 2008 SABMiller plc has been the sole obligor of the notes.

² The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make-whole amount.

³ The notes are redeemable in whole but not in part at the option of the issuer upon the occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

⁴ On 17 July 2009 SABMiller plc issued €1,000 million, 4.5% Notes due January 2015. The notes were issued under the US\$5,000 million Euro Medium Term Note Programme.

⁵ On 7 August 2003 SABMiller plc issued US\$300 million, 6.625% Notes due August 2033. Since 10 September 2010 the principal and interest in respect of the notes has not been guaranteed.

⁶ On 28 June 2006 SABMiller plc issued US\$600 million, 6.2% Notes due July 2011 and US\$850 million, 6.5% Notes due July 2016.

⁷ On 17 July 2008 SABMiller plc issued US\$550 million, 5.7% Notes due January 2014 and US\$700 million, 6.5% Notes due August 2018.

⁸ On 12 March 2010 SABMiller plc issued PEN150 million, 6.75% Notes due March 2015.

⁹ With effect from 31 March 2011 85.5% of the 2014 bonds, 94.0% of the 2015 bonds, 98.7% of the 2012 bonds and 97.4% of the 2013 bonds, all issued by Bavaria SA, have been guaranteed by SABMiller plc.

¹⁰ On 19 July 2007 SABSA Holdings (Pty) Ltd issued ZAR1,600 million, 9.935% Guaranteed Notes due July 2012, guaranteed by SABMiller plc. The notes were issued under the ZAR4,000 million (increased to ZAR6,000 million on 24 December 2008) Domestic Medium Term Note Programme established on 17 July 2007.

¹¹ On 30 May 2008 the group entered into a US\$600 million revolving credit facility for general corporate purposes. The facility was voluntarily cancelled by the group in April 2011.

22. Borrowings continued

Undrawn borrowing facilities

The group had the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date.

	2011 US\$m	2010 US\$m
Amounts expiring:		
Within one year	967	441
Between one and two years	2,118	1,025
Between two and five years	79	2,112
In five years or more	–	1
	3,164	3,579

In April 2011, the group entered into a five-year US\$2,500 million committed syndicated facility, with the option of two one-year extensions. This facility replaced the existing US\$2,000 million and US\$600 million committed syndicated facilities, which were both voluntarily cancelled and which are shown in the table above as expiring between one and two years and within one year, respectively.

Maturity of obligations under finance leases

Obligations under finance leases are as follows.

	2011 US\$m	2010 US\$m
The minimum lease payments under finance leases fall due as follows.		
Within one year	4	5
Between one and five years	5	5
In five years or more	–	3
	9	13
Future finance charges on finance leases	–	(1)
Present value of finance lease liabilities	9	12

Maturity of non-current financial liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 March was as follows.

	Borrowings and overdrafts US\$m	Finance leases US\$m	Net derivative financial assets ¹ (note 24) US\$m	2011 Total US\$m	Borrowings and overdrafts US\$m	Finance leases US\$m	Net derivative financial assets ¹ (note 24) US\$m	2010 Total US\$m
Amounts falling due:								
Between one and two years	593	–	(3)	590	1,048	4	–	1,052
Between two and five years	4,458	5	(80)	4,383	4,693	3	(135)	4,561
In five years or more	2,059	–	(228)	1,831	2,061	–	(218)	1,843
	7,110	5	(311)	6,804	7,802	7	(353)	7,456

¹ Net borrowings-related derivative financial instruments only.

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continued

23. Financial risk factors

Financial risk management

Overview

In the normal course of business, the group is exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

This note explains the group's exposure to each of the above risks, aided by quantitative disclosures included throughout these consolidated financial statements, and it summarises the policies and processes that are in place to measure and manage the risks arising, including those related to the management of capital.

The directors are ultimately responsible for the establishment and oversight of the group's risk management framework. An essential part of this framework is the role undertaken by the audit committee of the board, supported by the internal audit function, and by the chief financial officer, who in this regard is supported by the treasury committee and the group treasury function. Amongst other responsibilities, the audit committee reviews the internal control environment and risk management systems within the group and it reports its activities to the board. The board also receives a quarterly report on treasury activities, including confirmation of compliance with treasury risk management policies.

The group treasury function is responsible for the management of cash, borrowings and the financial risks arising in relation to interest rates and foreign exchange rates. The responsibility for the management of commodities exposures lies with the procurement functions within the group, including Trinity Procurement GmbH (Trinity), the group's centralised procurement function. The transition of risk management of key brewing and packaging materials has now been substantially transferred to Trinity. Some of the risk management strategies include the use of derivatives, principally in the form of forward foreign currency contracts, cross currency swaps, interest rate swaps and exchange-traded futures contracts, in order to manage the currency, interest rate and commodities exposures arising from the group's operations. The group also purchases call options where these provide a cost-effective hedging alternative and, where they form part of an option collar strategy, the group also sells put options to reduce or eliminate the cost of purchased options. It is the policy of the group that no trading in financial instruments be undertaken.

The group's treasury policies are established to identify and analyse the financial risks faced by the group, to set appropriate risk limits and controls and to monitor exposures and adherence to limits.

a. Market risk

(i) Foreign exchange risk

The group is subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures into the group's US dollar reporting currency. The group seeks to mitigate this exposure, where cost effective, by borrowing in the same currencies as the functional currencies of its main operating units or by achieving the same effect through the use of forward foreign exchange contracts and currency swaps. An approximate nominal value of US\$1,836 million of US dollar borrowings and €254 million of euro borrowings have been swapped into currencies that match the currency of the underlying operations of the group, primarily South African rand, but also Peruvian nuevo sol, Czech koruna, Polish zloty, Russian rouble and euro. Of these financial derivatives, US\$1,180 million and €150 million are accounted for as net investment hedges.

The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

The group is also exposed to transactional currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of group entities. These exposures are presently managed locally by group entities which, subject to regulatory constraints or currency market limitations, hedge a proportion of their foreign currency exposure estimated to arise over a period of up to 18 months. Committed transactional exposures that are certain are hedged fully without limitation in time. The group principally uses forward exchange contracts to hedge currency risk.

23. Financial risk factors continued

The tables below set out the group's currency exposures from financial assets and liabilities held by group companies in currencies other than their functional currencies and resulting in exchange movements in the income statement and balance sheet.

	US dollars US\$m	SA rand US\$m	Euro US\$m	Other European currencies US\$m	Other African currencies US\$m	Other US\$m	Total US\$m
Financial assets							
Trade and other receivables	34	216	42	2	62	92	448
Derivative financial instruments ¹	540	16	488	486	–	69	1,599
Cash and cash equivalents	45	10	121	7	13	14	210
Intragroup assets	143	–	1,338	539	–	29	2,049
At 31 March 2011	762	242	1,989	1,034	75	204	4,306
Potential impact on earnings – (loss)/gain							
20% increase in functional currency	(50)	(40)	(289)	(137)	(13)	(34)	(563)
20% decrease in functional currency	60	48	346	165	15	41	675
Potential impact on other comprehensive income – (loss)/gain							
20% increase in functional currency	(77)	–	(43)	(35)	–	–	(155)
20% decrease in functional currency	92	–	51	42	–	–	185
Financial liabilities							
Trade and other payables	(293)	(111)	(182)	(13)	(27)	(175)	(801)
Derivative financial instruments ¹	(93)	(668)	(355)	(1,195)	–	(117)	(2,428)
Borrowings	(40)	–	(1,515)	–	(43)	(147)	(1,745)
Intragroup liabilities	(12)	(146)	(314)	(306)	(1)	(43)	(822)
At 31 March 2011	(438)	(925)	(2,366)	(1,514)	(71)	(482)	(5,796)
Potential impact on earnings – gain/(loss)							
20% increase in functional currency	73	49	316	140	12	41	631
20% decrease in functional currency	(88)	(59)	(380)	(167)	(14)	(49)	(757)
Potential impact on other comprehensive income – gain/(loss)							
20% increase in functional currency	–	105	78	113	–	39	335
20% decrease in functional currency	–	(126)	(93)	(135)	–	(47)	(401)

¹ These represent the notional amounts of derivative financial instruments.

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23. Financial risk factors continued

	US dollars US\$m	SA rand US\$m	Euro US\$m	Other European currencies US\$m	Other African currencies US\$m	Other US\$m	Total US\$m
Financial assets							
Trade and other receivables	36	179	147	3	52	58	475
Derivative financial instruments ¹	512	3	461	–	–	20	996
Cash and cash equivalents	30	–	27	71	1	38	167
Intragroup assets	254	–	1,688	267	–	52	2,261
At 31 March 2010	832	182	2,323	341	53	168	3,899
Potential impact on earnings – (loss)/gain							
20% increase in functional currency	(117)	(30)	(348)	(57)	(9)	(28)	(589)
20% decrease in functional currency	140	36	417	68	11	34	706
Potential impact on other comprehensive income – (loss)/gain							
20% increase in functional currency	(22)	–	(39)	–	–	–	(61)
20% decrease in functional currency	26	–	47	–	–	–	73
Financial liabilities							
Trade and other payables	(196)	(141)	(146)	(15)	(82)	(99)	(679)
Derivative financial instruments ¹	(205)	(617)	(619)	(892)	–	(245)	(2,578)
Borrowings	(310)	(2)	(1,499)	(7)	(58)	(190)	(2,066)
Intragroup liabilities	(62)	(62)	(166)	(99)	(1)	(1)	(391)
At 31 March 2010	(773)	(822)	(2,430)	(1,013)	(141)	(535)	(5,714)
Potential impact on earnings – gain/(loss)							
20% increase in functional currency	129	34	350	61	24	52	650
20% decrease in functional currency	(155)	(41)	(419)	(74)	(28)	(63)	(780)
Potential impact on other comprehensive income – gain/(loss)							
20% increase in functional currency	–	103	56	107	–	37	303
20% decrease in functional currency	–	(123)	(67)	(129)	–	(44)	(363)

¹ These represent the notional amounts of derivative financial instruments.

Foreign currency sensitivity analysis

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature.

The group holds foreign currency cash flow hedges totalling US\$927 million at 31 March 2011 (2010: US\$417 million). The foreign exchange gains or losses on these contracts are recorded in the cash flow hedging reserve until the hedged transactions occur, at which time the respective gains and losses are transferred to inventory, property, plant and equipment or to the income statement as appropriate.

The group holds net investment hedges totalling US\$1,944 million at 31 March 2011 (2010: US\$1,751 million). The foreign exchange gains or losses on these contracts are recorded in the net investment hedging reserve and partially offset the foreign currency translation risk on the group's foreign currency net assets.

(ii) Interest rate risk

As at 31 March 2011, 40% (2010: 34%) of consolidated gross borrowings were in fixed rates taking into account interest rate swaps and forward rate agreements.

The group's policy is to borrow (directly or synthetically) in floating rates, reflecting the fact that floating rates are generally lower than fixed rates in the medium term. However, a minimum of 25% of consolidated net borrowings is required to be in fixed rates for a minimum duration of 12 months and the extent to which group borrowings may be in floating rates is restricted to the lower of 75% of consolidated net borrowings and that amount of net borrowings in floating rates that with a 1% increase in interest rates would increase finance costs by an amount equal to (but not more than) 1.20% of adjusted EBITDA. The policy also excludes borrowings arising from recent acquisitions and any inflation-linked debt, where there will be a natural hedge within business operations.

Exposure to movements in interest rates in group borrowings is managed through interest rate swaps and forward rate agreements. As at 31 March 2011, on a policy adjusted basis, excluding borrowings from recent acquisitions and any inflation-linked debt, 44% (2010: 47%) of consolidated net borrowings were in fixed rates. The impact of a 1% rise in interest rates on borrowings in floating rates would be equivalent to 0.67% (2010: 0.78%) of adjusted EBITDA.

23. Financial risk factors continued

The cash flow interest rate risk sensitivities on variable debt and interest rate swaps were:

	US dollars US\$m	SA rand US\$m	Euro US\$m	Other European currencies US\$m	Colombian peso US\$m	Other US\$m	Total US\$m
At 31 March 2011							
Net debt ¹	4,011	263	1,416	(23)	1,106	616	7,389
Less fixed rate debt	(4,404)	(236)	(1,417)	–	–	(168)	(6,225)
Variable rate debt	(393)	27	(1)	(23)	1,106	448	1,164
Adjust for:							
Financial derivatives	1,380	202	705	564	–	–	2,851
Net variable rate debt exposure	987	229	704	541	1,106	448	4,015
+/- 100 bps change							
Potential impact on earnings	10	2	7	5	11	5	40
+/- 100 bps change							
Potential impact on other comprehensive income	–	–	3	–	–	–	3
At 31 March 2010							
Net debt ¹	4,862	392	1,458	88	1,205	630	8,635
Less fixed rate debt	(4,379)	(219)	(1,365)	–	–	(62)	(6,025)
Variable rate debt	483	173	93	88	1,205	568	2,610
Adjust for:							
Financial derivatives	225	188	1,071	600	567	–	2,651
Net variable rate debt exposure	708	361	1,164	688	1,772	568	5,261
+/- 100 bps change							
Potential impact on earnings	9	4	12	7	18	6	56
+/- 100 bps change							
Potential impact on other comprehensive income	3	–	3	–	–	–	6

¹ Excluding net borrowings-related derivative instruments.

Fair value sensitivity analysis for fixed income instruments

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed rates of interest that are accounted for at amortised cost are not subject to interest rate risk as defined in IFRS 7.

The group holds derivative contracts with a nominal value of US\$2,933 million as at 31 March 2011 (2010: US\$2,901 million) which are designated as fair value hedges. In the case of these instruments and the underlying fixed rate bonds, changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements net off almost completely in the income statement in the same period.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 bps in interest rates at the reporting date would have increased/(decreased) other comprehensive income and the income statement by the amounts shown above. This analysis assumes all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

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23. Financial risk factors continued

Interest rate profiles of financial liabilities

The following table sets out the contractual repricing included within the underlying borrowings (excluding net borrowings-related derivatives) exposed to either fixed interest rates or floating interest rates and revises this for the repricing effect of interest rate and cross currency swaps.

	2011			2010		
	Total borrowings US\$m	Effect of derivatives US\$m	Total exposure US\$m	Total borrowings US\$m	Effect of derivatives US\$m	Total exposure US\$m
Financial liabilities						
Repricing due:						
Within one year	2,959	2,834	5,793	3,399	2,806	6,205
Between one and two years	–	–	–	609	–	609
Between two and five years	3,438	(1,459)	1,979	3,369	(1,431)	1,938
In five years or more	2,063	(1,375)	688	2,037	(1,375)	662
Total interest bearing	8,460	–	8,460	9,414	–	9,414
Analysed as:						
Fixed rate interest	6,225	(2,834)	3,391	6,025	(2,806)	3,219
Floating rate interest	2,235	2,834	5,069	3,389	2,806	6,195
Total interest bearing	8,460	–	8,460	9,414	–	9,414

(iii) Price risk

Commodity 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, sugar and aluminium. Commodity price risk is managed within minimum and maximum guard rails principally through multi-year fixed price contracts with suppliers and, where appropriate, derivative contracts. The group hedges a proportion of commodity supply and price risk for a period of up to five years. Where derivative contracts are used the group manages exposures principally through exchange-traded futures, forwards and swaps.

At 31 March 2011 the notional value of commodity derivatives amounted to US\$21 million (2010: US\$42 million). No sensitivity analysis has been provided on these outstanding contracts as the impact is considered to be immaterial.

Equity securities price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the balance sheet as available for sale investments. No sensitivity analysis has been provided on these outstanding contracts as the impact is considered to be immaterial.

b. Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments

The group limits its exposure to financial institutions by setting credit limits on a sliding scale based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB- by Standard & Poors and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, a maximum limit of US\$3 million is applied, unless specific approval is obtained from either the chief financial officer or the audit committee of the board. The utilisation of credit limits is regularly monitored. To reduce credit exposures, the group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the group has a large number of customers which are internationally dispersed. The type of customers range from wholesalers and distributors to smaller retailers. The group has implemented policies that require appropriate credit checks on potential customers before sales commence. Credit risk is managed by limiting the aggregate amount of exposure to any one counterparty.

The group considers its maximum credit risk to be US\$2,984 million (2010: US\$2,749 million) which is the total of the group's financial assets.

c. Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group finances its operations through cash generated by the business and a mixture of short-term and medium-term bank credit facilities, bank loans, corporate bonds and commercial paper with a range of maturity dates. In this way, the group ensures that it is not overly reliant on any particular liquidity source or that maturities of borrowings sourced in this way are not overly concentrated.

Subsidiaries have access to local bank credit facilities, but are principally funded by the group.

At 31 March 2011 the group had the following core lines of credit that were available for general corporate purposes and which were maintained by SABMiller plc:

- US\$2,000 million committed syndicated facility maturing in December 2012.
- US\$600 million committed syndicated facility maturing in May 2011.

23. Financial risk factors continued

In April 2011 the group entered into a five-year US\$2,500 million committed syndicated facility, with the option of two one-year extensions. This replaced the existing facilities, described above, which were both voluntarily cancelled.

Liquidity risk faced by the group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised banking facilities and reserve borrowing capacity, as indicated by the level of undrawn facilities.

As at 31 March 2011, borrowing capacity under committed bank facilities amounted to US\$3,164 million (2010: US\$3,579 million).

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 date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US\$m	Between 1 and 2 years US\$m	Between 2 and 5 years US\$m	Over 5 years US\$m
At 31 March 2011				
Borrowings	(1,689)	(1,096)	(4,380)	(2,003)
Derivative financial instruments	(124)	(18)	(21)	(2)
Trade and other payables	(2,924)	(73)	–	–
Financial guarantee contracts	(5)	(3)	–	–
At 31 March 2010¹				
Borrowings	(1,746)	(1,921)	(5,359)	(2,694)
Derivative financial instruments	(253)	(63)	(26)	–
Trade and other payables	(2,704)	(117)	(2)	–
Financial guarantee contracts	(16)	–	–	–

¹ As restated (see note 29).

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US\$m	Between 1 and 2 years US\$m	Between 2 and 5 years US\$m	Over 5 years US\$m
At 31 March 2011				
Forward foreign exchange contracts				
Outflow	(423)	(30)	–	–
Inflow	384	30	–	–
Cross currency swaps				
Outflow	(29)	(33)	(315)	(422)
Inflow	19	23	326	446
At 31 March 2010				
Forward foreign exchange contracts				
Outflow	(488)	(74)	–	–
Inflow	434	67	–	–
Cross currency swaps				
Outflow	(152)	(239)	(607)	(583)
Inflow	145	241	694	653

Capital management

The capital structure of the group consists of net debt (see note 28c) and shareholders' equity.

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Besides the minimum capitalisation rules that may apply to subsidiaries in different countries, the group's only externally imposed capital requirement relates to the group's core lines of credit which include a net debt to EBITDA financial covenant which was complied with throughout the year.

The group monitors its financial capacity and credit ratings by reference to a number of key financial ratios and cash flow metrics including net debt to adjusted EBITDA and interest cover. These provide a framework within which the group's capital base is managed including dividend policy.

The group is currently rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services, both with a stable outlook.

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23. Financial risk factors continued

Fair value estimation

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

	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
At 31 March 2011				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	346	–	346
Available for sale investments	1	19	15	35
Total assets	1	365	15	381
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	(135)	–	(135)
Total liabilities	–	(135)	–	(135)
At 31 March 2010				
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	429	–	429
Available for sale investments	1	16	15	32
Total assets	1	445	15	461
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	(321)	–	(321)
Total liabilities	–	(321)	–	(321)

The levels of the fair value hierarchy and its application to the group's financial assets and liabilities are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices):

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives or infrequently traded listed investments) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data:

Specific valuation techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

The following table presents the changes in level 3 instruments for the years ended 31 March.

	Available for sale investments	
	2011 US\$m	2010 US\$m
At 1 April	15	15
Exchange adjustments	–	1
Additions	1	–
Disposals	–	(1)
Impairment	(1)	–
At 31 March	15	15

24. Derivative financial instruments

Current derivative financial instruments

	2011		2010	
	Assets US\$m	Liabilities US\$m	Assets US\$m	Liabilities US\$m
Embedded derivatives	–	–	–	(4)
Interest rate swaps designated as cash flow hedges ¹	–	–	–	(4)
Forward foreign currency contracts – on operating items	3	(12)	5	(12)
Forward foreign currency contracts – on borrowings ¹	1	(1)	–	(1)
Forward foreign currency contracts designated as net investment hedges	–	(13)	–	–
Forward foreign currency contracts designated as cash flow hedges	8	(11)	–	(26)
Cross currency swaps – on operating items	–	–	–	(1)
Cross currency swaps – on borrowings ¹	–	(13)	14	(125)
Commodity contracts designated as cash flow hedges	4	–	1	(1)
	16	(50)	20	(174)

¹ Borrowings-related derivative financial instruments amounting to a net liability of US\$13 million (2010: US\$116 million).

Non-current derivative financial instruments

	2011		2010	
	Assets US\$m	Liabilities US\$m	Assets US\$m	Liabilities US\$m
Interest rate swaps designated as fair value hedges ¹	269	(4)	252	–
Interest rate swaps designated as cash flow hedges ¹	–	(7)	–	(9)
Forward foreign currency contracts – on borrowings ¹	4	(1)	2	(1)
Forward foreign currency contracts designated as net investment hedges	1	(16)	2	(17)
Forward foreign currency contracts designated as cash flow hedges	–	–	–	(7)
Cross currency swaps – on borrowings ¹	50	–	123	(14)
Cross currency swaps designated as net investment hedges	6	(56)	30	(99)
Commodity contracts designated as cash flow hedges	–	(1)	–	–
	330	(85)	409	(147)

¹ Borrowings-related derivative financial instruments amounting to a net asset of US\$311 million (2010: US\$353 million).

Derivatives designated as hedging instruments

(i) Fair value hedges

The group has entered into several interest rate swaps to pay floating and receive fixed interest which have been designated as fair value hedges to hedge exposure to changes in the fair value of its US dollar and euro fixed rate borrowings. Non-current borrowings are designated as the hedged item as part of the fair value hedge. The borrowings and the interest rate swaps have the same critical terms.

As at 31 March 2011, the notional amount of the US dollar interest rate swaps was US\$2,225 million (2010: US\$2,225 million). The fixed interest rates received vary from 5.5% to 6.625% (2010: 5.5% to 6.625%) and the floating interest rates paid vary from LIBOR plus 71.6 bps to LIBOR plus 198.8 bps (2010: LIBOR plus 71.6 bps to LIBOR plus 198.8 bps) on the notional amount.

As at 31 March 2011, the notional amount of the euro interest rate swaps was €500 million (2010: €500 million). The fixed interest rates received are 4.5% (2010: 4.5%) and floating interest rates paid vary from EURIBOR plus 177 bps to EURIBOR plus 178 bps on the notional amount (2010: EURIBOR plus 177 bps to EURIBOR plus 178 bps on the notional amount).

As at 31 March 2011, the carrying value of the hedged borrowings was US\$3,212 million (2010: US\$3,152 million).

(ii) Cash flow hedges

The group has entered into interest rate swaps designated as cash flow hedges to manage the interest rate on borrowings. The notional amount of these interest rate swaps was US\$99 million equivalent (2010: US\$345 million). The fair value of these interest rate swaps was a liability of US\$7 million (2010: US\$13 million). The fixed interest rate paid is 4.7% (2010: 3.5% to 4.7%) and the floating rates received are EURIBOR plus zero bps (2010: LIBOR and EURIBOR plus zero bps). As at 31 March 2011, the carrying value of the hedged borrowings was US\$99 million (2010: US\$345 million).

The group has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exposures to expected net operating costs including future trade imports and exports. As at 31 March 2011, the notional amounts of these contracts were €182 million, US\$460 million, GBP120 million and Czech koruna (CZK) 299 million (2010: €195 million and US\$153 million).

The group has entered into commodity contracts designated as cash flow hedges to manage the future price of commodities. As at 31 March 2011, the notional amount of forward contracts for the purchase price of corn was US\$2 million (2010: US\$8 million) and the notional amount of forward contracts for the purchase price of aluminium was US\$19 million (2010: US\$34 million).

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24. Derivative financial instruments continued

The following table indicates the period in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact the income statement.

	Carrying amount US\$m	Expected cash flows US\$m	Less than 1 year US\$m	Between 1 and 2 years US\$m	Between 2 and 5 years US\$m	More than 5 years US\$m
At 31 March 2011						
Interest rate swaps:						
Liabilities	(7)	(7)	(2)	(2)	(3)	–
Forward foreign currency contracts:						
Assets	8	9	9	–	–	–
Liabilities	(11)	(12)	(12)	–	–	–
Commodity contracts:						
Assets	4	4	4	–	–	–
Liabilities	(1)	(1)	–	(1)	–	–
	(7)	(7)	(1)	(3)	(3)	–
At 31 March 2010						
Interest rate swaps:						
Liabilities	(13)	(13)	(4)	(3)	(6)	–
Forward foreign currency contracts:						
Liabilities	(33)	(36)	(29)	(7)	–	–
Commodity contracts:						
Assets	1	1	1	–	–	–
Liabilities	(1)	(1)	(1)	–	–	–
	(46)	(49)	(33)	(10)	(6)	–

(iii) Hedges of net investments in foreign operations

The group has entered into several forward foreign currency contracts and cross currency swaps which it has designated as hedges of net investments in its foreign subsidiaries in South Africa, the Czech Republic, Poland, Italy and Peru to hedge the group's exposure to foreign exchange risk on these investments. Net losses relating to forward foreign currency contracts and cross currency swaps of US\$137 million (2010: losses of US\$310 million) have been recognised in other comprehensive income.

Analysis of notional amounts on financial instruments designated as net investment hedges:

	2011 m	2010 m
Forward foreign currency contracts:		
SA rand (ZAR)	1,459	1,703
Czech koruna (CZK)	5,500	5,500
Peruvian nuevo sol (PEN)	328	294
Cross currency swaps:		
SA rand (ZAR)	2,799	2,799
Polish zloty (PLN)	649	649
Czech koruna (CZK)	2,258	2,258
Euro (€)	–	38

Standalone derivative financial instruments

(i) Forward foreign currency contracts

The group has entered into forward foreign currency contracts to manage short-term foreign currency exposures to expected future trade imports and exports. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2011 the notional amounts of these contracts were €83 million and US\$136 million (2010: €53 million, US\$35 million and ZAR22 million).

The group has entered into forward foreign currency contracts to manage foreign currency exposures on intercompany loan balances. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2011 the notional amounts of these contracts were €21 million, GBP25 million, Russian rouble (RUB) 2,530 million, Romanian lei (RON) 319 million, Polish zloty (PLN) 230 million, Swiss franc (CHF) 15 million, SA rand (ZAR) 66 million and Czech koruna (CZK) 2,500 million (2010: US\$205 million, RUB1,640 million and RON122 million).

24. Derivative financial instruments continued

(ii) Cross currency swaps

The group has entered into cross currency swaps to manage foreign currency exposures on intercompany loan balances. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2011 the notional amounts of these contracts were €317 million, RUB1,400 million and PLN443 million (2010: €571 million, RUB2,900 million and PLN443 million).

Previously the group had entered into cross currency swaps to manage the fluctuation of the exchange rates over a portion of its US dollar debt. These derivatives were fair valued based on discounted future cash flows with gains and losses taken to the income statement. During the year these contracts matured. As at 31 March 2010 the notional amount of these contracts was US\$300 million.

Previously the group had entered into a cross currency swap to hedge the exposure to foreign exchange risk on its investment in foreign subsidiaries in Colombia. This derivative was fair valued based on discounted future cash flows with gains and losses taken to the income statement. During the year this contract matured. As at 31 March 2010 the notional amount of this contract was COP272,220 million.

Fair value loss on financial instruments recognised in the income statement

	2011 US\$m	2010 US\$m
Derivative financial instruments:		
Interest rate swaps designated as fair value hedges	12	(116)
Forward foreign currency contracts	(13)	(7)
Forward foreign currency contracts designated as fair value hedges	3	(1)
Cross currency swaps	(39)	(99)
Cross currency swaps designated as net investment hedges	(4)	(8)
Change in valuation methodology of financial instruments	–	(17)
	(41)	(248)
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	(14)	118
Total fair value loss on financial instruments recognised in the income statement	(55)	(130)

Fair value gains or losses on borrowings and derivative financial instruments held to hedge interest rate risk on borrowings are recognised as part of net finance costs. Fair value gains or losses on all other derivative financial instruments are recognised in operating profit.

Reconciliation of total financial instruments

The table below reconciles the group's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet.

	Fair value through income statement US\$m	Loans and receivables US\$m	Available for sale US\$m	Financial liabilities held at amortised cost US\$m	Not categorised as a financial instrument US\$m	Total US\$m	Non- current US\$m	Current US\$m
At 31 March 2011								
Assets								
Available for sale investments	–	–	35	–	–	35	35	–
Derivative financial instruments	346	–	–	–	–	346	330	16
Trade and other receivables	–	1,536	–	–	291	1,827	140	1,687
Cash and cash equivalents	–	1,067	–	–	–	1,067	–	1,067
Liabilities								
Derivative financial instruments	(135)	–	–	–	–	(135)	(85)	(50)
Borrowings	–	–	–	(8,460)	–	(8,460)	(7,115)	(1,345)
Trade and other payables	–	–	–	(3,008)	(574)	(3,582)	(98)	(3,484)
At 31 March 2010¹								
Assets								
Available for sale investments	–	–	32	–	–	32	31	1
Derivative financial instruments	429	–	–	–	–	429	409	20
Trade and other receivables	–	1,509	–	–	273	1,782	117	1,665
Cash and cash equivalents	–	779	–	–	–	779	–	779
Liabilities								
Derivative financial instruments	(321)	–	–	–	–	(321)	(147)	(174)
Borrowings	–	–	–	(9,414)	–	(9,414)	(7,809)	(1,605)
Trade and other payables	–	–	–	(2,832)	(541)	(3,373)	(145)	(3,228)

¹ As restated (see note 29).

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25. Provisions

	Litigation and demerged entities US\$m	Post- retirement benefits US\$m	Taxation- related US\$m	Restructuring US\$m	Payroll- related US\$m	Other US\$m	Total US\$m
At 1 April 2009	69	217	276	30	33	47	672
Exchange adjustments	7	59	34	2	7	1	110
Acquisitions – through business combinations	1	–	–	–	–	4	5
Charged/(credited) to the income statement							
– Additional provision in year	8	36	20	10	18	16	108
– Unused amounts reversed	–	(3)	(13)	–	–	(1)	(17)
Utilised in the year							
– Existing	(3)	(34)	(5)	(10)	(9)	(16)	(77)
Actuarial losses recorded in other comprehensive income	–	15	–	–	–	–	15
Transfer to payables/receivables	(4)	–	(4)	–	3	(3)	(8)
At 31 March 2010	78	290	308	32	52	48	808
Exchange adjustments	4	10	7	3	2	1	27
Acquisitions – through business combinations	4	1	–	–	–	3	8
Charged/(credited) to the income statement							
– Additional provision in year	12	28	21	49	15	13	138
– Unused amounts reversed	–	(6)	(24)	–	(3)	–	(33)
Utilised in the year							
– Existing	(5)	(35)	(10)	(14)	(20)	(12)	(96)
Actuarial losses recorded in other comprehensive income	–	28	–	–	–	–	28
Transfers to disposal group classified as held for sale	(1)	(6)	–	–	–	(3)	(10)
At 31 March 2011	92	310	302	70	46	50	870
Analysed as:							
Current	48	2	254	58	11	37	410
Non-current	44	308	48	12	35	13	460
	92	310	302	70	46	50	870

Demerged entities and litigation

During the year ended 31 March 1998, the group recognised a provision of US\$117 million for the disposal of certain demerged entities in relation to equity injections which were not regarded as recoverable, as well as potential liabilities arising on warranties and the sale agreements. During the year ended 31 March 2011, US\$1 million (2010: US\$nil) of this provision was utilised in regard to costs associated with SAB Ltd's previously disposed of remaining retail interests. The residual balance of US\$16 million relates mainly to the disposal of OK Bazaars (1929) Ltd to Shoprite Holdings Ltd (Shoprite). As disclosed in previous annual reports, a number of claims were made by Shoprite in relation to the valuation of the net assets of OK Bazaars at the time of the sale and for alleged breaches by SAB Ltd of warranties contained in the sale agreements. These claims are being contested by SAB Ltd.

There are US\$76 million (2010: US\$62 million) of provisions in respect of outstanding litigation within various operations, based on management's expectation that the outcomes of these disputes are expected to be resolved within the forthcoming five years.

While a full provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the directors at this time. The further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets' has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

Post-retirement benefits

The provision for post-retirement benefits represents the provision for medical benefits for retired employees and their dependants in South Africa, for post-retirement medical and life insurance benefits for eligible employees and their dependants in North America and Europe, medical and other benefits in Latin America, and pension provisions for employees in North America, Latin America, Europe and Africa. The principal assumptions on which these provisions are based are disclosed in note 32.

25. Provisions continued

Taxation-related

The group has recognised various provisions in relation to taxation exposures it believes may arise. The provisions principally relate to non-corporate taxation and interest and penalties on corporate taxation in respect of a number of group companies. Any settlement in respect of these amounts will occur as and when the assessments are finalised with the respective tax authorities.

Restructuring

This includes the remaining provision for restructuring costs related primarily to Europe which management expects to be utilised within four years.

Payroll-related

This includes US\$20 million (2010: US\$13 million) within South Africa relating to employee long service awards. These are expected to be utilised on an ongoing basis when service awards fall due.

Other provisions

Included within other provisions are environmental provisions, onerous contract provisions, insurance provisions and other provisions. These are expected to be utilised within five years.

26. Share capital

	2011 US\$m	2010 US\$m
Group and company		
Called up, allotted and fully paid share capital		
1,659,040,014 ordinary shares of 10 US cents each (2010: 1,654,749,852)	166	165
50,000 deferred shares of £1.00 each (2010: 50,000)	–	–
	166	165

	Ordinary shares of 10 US cents each	Deferred shares of £1 each	Nominal value US\$m
At 1 April 2009	1,585,366,969	50,000	159
Issue of shares – share incentive plans	9,382,883	–	–
Issue of shares – Polish non-controlling interest buyout transaction	60,000,000	–	6
At 31 March 2010	1,654,749,852	50,000	165
Issue of shares – share incentive plans	4,290,162	–	1
At 31 March 2011	1,659,040,014	50,000	166

Changes to authorised share capital

With effect from 1 October 2009, the company adopted new articles of association which removed any previous limit on the authorised share capital. Directors are still limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

Changes to issued share capital

During the year, the company issued 4,290,162 (2010: 9,382,883) new ordinary shares of 10 US cents to satisfy the exercise of options granted under the various share incentive plans, for consideration of US\$73 million (2010: US\$114 million).

On 29 May 2009, 60 million new ordinary shares of 10 US cents were issued as consideration for the purchase of the remaining 28.1% non-controlling interest in the group's Polish subsidiary, Kompania Piwowarska SA.

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continued

26. Share capital continued

Rights and restrictions relating to share capital

Convertible participating shares

Altria is entitled to require the company to convert its ordinary shares into convertible participating shares so as to ensure that Altria's voting shareholding does not exceed 24.99% of the total voting shareholding.

If such an event occurs, the convertible participating shares will rank *pari passu* with the ordinary shares in all respects and no action shall be taken by the company in relation to ordinary shares unless the same action is taken in respect of the convertible participating shares. On distribution of the profits (whether by cash dividend, dividend in specie, scrip dividend, capitalisation issue or otherwise), the convertible participating shares will rank *pari passu* with the ordinary shares. On a return of capital (whether winding-up or otherwise), the convertible participating shares will rank *pari passu* with the ordinary shares.

Altria is entitled to vote its convertible participating shares at general meetings of the company on a poll on the basis of one-tenth of a vote for every convertible participating share on all resolutions other than a resolution:

- (i) proposed by any person other than Altria, to wind-up the company;
- (ii) proposed by any person other than Altria, to appoint an administrator or to approve any arrangement with the company's creditors;
- (iii) proposed by the board, to sell all or substantially all of the undertaking of the company; or
- (iv) proposed by any person other than Altria, to alter any of the class rights attaching to the convertible participating shares or to approve the creation of any new class of shares,

in which case Altria shall be entitled on a poll to vote on the resolution on the basis of one vote for each convertible participating share, but, for the purposes of any resolution other than a resolution mentioned in (iv) above, the convertible participating shares shall be treated as being of the same class as the ordinary shares and no separate meeting or resolution of the holders of the convertible participating shares shall be required to be convened or passed.

Upon a transfer of convertible participating shares by Altria other than to an affiliate, such convertible participating shares shall convert into ordinary shares.

Altria is entitled to require the company to convert its convertible participating shares into ordinary shares if:

- (i) a third party has made a takeover offer for the company and (if such offer becomes or is declared unconditional in all respects) it would result in the voting shareholding of the third party being more than 30% of the total voting shareholding; and
- (ii) Altria has communicated to the company in writing its intention not itself to make an offer competing with such third party offer, provided that the conversion date shall be no earlier than the date on which the third party's offer becomes or is declared unconditional in all respects.

Altria is entitled to require the company to convert its convertible participating shares into ordinary shares if the voting shareholding of a third party should be more than 24.99%, provided that:

- (i) the number of ordinary shares held by Altria following such conversion shall be limited to one ordinary share more than the number of ordinary shares held by the third party; and
- (ii) such conversion shall at no time result in Altria's voting shareholding being equal to or greater than the voting shareholding which would require Altria to make a mandatory offer in terms of rule 9 of the City Code.

If Altria wishes to acquire additional ordinary shares (other than pursuant to a pre-emptive issue of new ordinary shares or with the prior approval of the board), Altria shall first convert into ordinary shares the lesser of:

- (i) such number of convertible participating shares as would result in Altria's voting shareholding being such percentage as would, in the event of Altria subsequently acquiring one additional ordinary share, require Altria to make a mandatory offer in terms of rule 9 of the City Code; and
- (ii) all of its remaining convertible participating shares.

26. Share capital continued

The company shall use its best endeavours to procure that the ordinary shares arising on conversion of the convertible participating shares are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, admitted to listing and trading on the JSE Ltd, and admitted to listing and trading on any other stock exchange upon which the ordinary shares are from time to time listed and traded, but no admission to listing or trading shall be sought for the convertible participating shares whilst they remain convertible participating shares.

Deferred shares

The deferred shares do not carry any voting rights and do not entitle holders thereof to receive any dividends or other distributions. In the event of a winding up deferred shareholders would receive no more than the nominal value. Deferred shares represent the only non-equity share capital of the group.

Share-based payments

The group operates various equity-settled share incentive plans. The share incentives outstanding are summarised as follows.

Scheme	2011 Number	2010 Number
GBP share options	15,088,057	13,515,685
ZAR share options	13,686,079	13,447,779
GBP stock appreciation rights (SARs)	3,575,370	4,297,049
GBP performance share awards	7,364,124	6,915,855
GBP value share awards	3,168,200	–
Total share incentives outstanding¹	42,881,830	38,176,368

¹ Total share incentives outstanding exclude shares relating to the BBBEE scheme.

Further details relating to all of the share incentive schemes can be found in the remuneration report on pages 65 to 75.

The exercise prices of incentives outstanding at 31 March 2011 ranged from £0 to £22.44 and ZAR43.09 to ZAR225.08 (2010: £0 to £17.14 and ZAR45.97 to ZAR215.31). The movement in share awards outstanding is summarised in the following tables.

GBP share options

GBP share options include share options granted under the Executive Share Option Plan 2008, the Approved Executive Share Option Plan 2008, the Executive Share Option (No.2) Scheme, the Approved Executive Share Option Scheme and the International Employee Share Scheme. No further grants can be made under the now closed Executive Share Option (No.2) Scheme, the Approved Executive Share Option Scheme, or the International Employee Share Scheme; although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2009	16,016,731	9.61	–
Granted	3,847,500	12.36	4.29
Lapsed	(338,033)	12.19	–
Exercised	(6,010,513)	7.97	–
Outstanding at 31 March 2010	13,515,685	11.05	–
Granted	4,178,150	19.58	5.87
Lapsed	(521,316)	12.91	–
Exercised	(2,084,462)	10.27	–
Outstanding at 31 March 2011	15,088,057	13.46	–

Notes to the consolidated financial statements

continued

26. Share capital continued

ZAR share options

Share options designated in ZAR include share options granted under the South African Executive Share Option Plan 2008 and the Mirror Executive Share Purchase Scheme (South Africa). No further grants can be made under the Mirror Executive Share Purchase Scheme (South Africa) although outstanding grants may still be exercised until they reach their expiry date.

	Number of options	Weighted average exercise price ZAR	Weighted average fair value at grant date ZAR
Outstanding at 1 April 2009	14,336,899	126.14	–
Granted	2,903,050	203.64	104.00
Lapsed	(419,800)	163.03	–
Exercised	(3,372,370)	88.21	–
Outstanding at 31 March 2010	13,447,779	151.23	–
Granted	2,943,850	222.55	88.63
Lapsed	(499,850)	176.93	–
Exercised	(2,205,700)	126.34	–
Outstanding at 31 March 2011	13,686,079	169.64	–

GBP SARs

GBP SARs include stock appreciation rights granted under the Stock Appreciation Rights Plan 2008 and the International Employee Stock Appreciation Rights Scheme. No further grants can be made under the now closed International Employee Stock Appreciation Rights Scheme, although outstanding grants may still be exercised until they reach their expiry date.

	Number of SARs	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2009	7,030,030	9.07	–
Granted	84,200	12.31	3.59
Lapsed	(309,053)	12.12	–
Exercised	(2,508,128)	8.03	–
Outstanding at 31 March 2010	4,297,049	9.54	–
Granted	49,900	19.51	5.85
Lapsed	(24,036)	10.81	–
Exercised	(747,543)	9.27	–
Outstanding at 31 March 2011	3,575,370	9.72	–

GBP performance share awards

GBP performance share awards include awards made under the Executive Share Award Plan 2008, the Performance Share Award Scheme and the International Performance Share Award Sub-Scheme. No further awards can be made under the Performance Share Award Scheme and the International Performance Share Award Sub-Scheme, although outstanding awards remain and will vest, subject to the achievement of their respective performance conditions on their vesting date.

	Number of awards	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2009	6,443,200	–	–
Granted	2,808,782	–	10.27
Lapsed	(725,995)	–	–
Released to participants	(1,610,132)	–	–
Outstanding at 31 March 2010	6,915,855	–	–
Granted	2,012,800	–	18.08
Lapsed	(734,088)	–	–
Released to participants	(830,443)	–	–
Outstanding at 31 March 2011	7,364,124	–	–

26. Share capital continued

GBP value share awards

The 3,317,000 value share awards granted represent the theoretical maximum number of awards that could possibly vest in the future, although in practice it is extremely unlikely that this number of awards would be released.

	Number of value shares (per £10 million of additional value)	Theoretical maximum shares at cap	Weighted average exercise price GBP	Weighted average fair value at grant date GBP
Outstanding at 1 April 2010	–	–	–	–
Granted	1,070	3,317,000	–	7.61
Lapsed	(48)	(148,800)	–	–
Outstanding at 31 March 2011	1,022	3,168,200	–	–

Outstanding share incentives

The following table summarises information about share incentives outstanding at 31 March.

Range of exercise prices	Number 2011	Weighted average remaining contractual life in years 2011	Number 2010	Weighted average remaining contractual life in years 2010
GBP share options				
£4 – £5	229,452	1.9	439,159	2.5
£5 – £6	161,070	1.9	249,455	2.6
£6 – £7	501,543	3.1	702,543	4.1
£8 – £9	687,427	4.1	824,320	5.1
£9 – £10	116,000	7.6	116,000	8.6
£10 – £11	1,345,838	5.5	1,795,799	6.4
£11 – £12	1,806,653	6.1	2,737,885	7.1
£12 – £13	6,213,927	7.7	6,590,484	8.7
£13 – £14	–	–	25,840	7.6
£17 – £18	34,200	8.6	34,200	9.6
£19 – £20	3,839,997	9.2	–	–
£20 – £21	71,950	9.7	–	–
£22 – £23	80,000	9.8	–	–
	15,088,057	7.2	13,515,685	7.3

Notes to the consolidated financial statements

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26. Share capital continued

Range of exercise prices	Number 2011	Weighted average remaining contractual life in years 2011	Number 2010	Weighted average remaining contractual life in years 2010
ZAR share options				
R40 – R50	–	–	61,000	0.7
R50 – R60	250,932	2.1	271,132	3.1
R60 – R70	518,900	1.8	733,200	2.8
R70 – R80	153,500	3.1	236,000	4.1
R80 – R90	18,000	1.2	23,000	2.2
R90 – R100	775,857	4.0	1,181,657	5.0
R110 – R120	40,000	4.4	245,000	5.4
R120 – R130	1,070,940	4.9	1,507,740	5.8
R140 – R150	2,355,500	7.3	2,639,500	8.3
R150 – R160	651,750	8.0	665,750	9.0
R160 – R170	620,350	6.1	841,750	7.1
R170 – R180	12,500	6.3	37,500	7.3
R180 – R190	2,246,300	6.9	2,760,750	7.8
R210 – R220	2,618,150	8.8	2,243,800	7.7
R220 – R230	2,353,400	9.7	–	–
	13,686,079	6.0	13,447,779	6.9
GBP SARs				
£4 – £5	377,468	1.8	505,969	2.8
£6 – £7	457,018	3.1	570,585	4.1
£8 – £9	590,884	4.1	677,660	5.1
£9 – £10	9,100	7.6	9,100	8.6
£10 – £11	654,634	5.1	730,594	6.1
£11 – £12	812,017	6.1	1,066,989	7.1
£12 – £13	607,649	7.3	709,852	8.2
£13 – £14	16,700	6.6	26,300	7.6
£19 – £20	49,900	9.2	–	–
	3,575,370	5.0	4,297,049	5.9
GBP performance share awards				
£0	7,364,124	2.4	6,915,855	1.3
GBP value share awards				
£0	3,168,200	3.2	–	–
Total share incentives outstanding	42,881,830	5.5	38,176,368	5.9

Exerciseable share incentives

The following table summarises information about exerciseable share incentives outstanding at 31 March.

	Number 2011	Weighted average exercise price 2011	Number 2010	Weighted average exercise price 2010
GBP share options	4,335,349	9.75	4,882,195	9.11
ZAR share options	4,914,079	128.71	2,838,272	97.61
GBP SARs	3,525,470	9.59	4,203,749	9.48

26. Share capital continued

Share incentives exercised or vested

The weighted average market price of the group's shares at the date of exercise or vesting for share incentives exercised or vested during the year were:

	Number 2011	Weighted average market price 2011	Number 2010	Weighted average market price 2010
Share incentives designated in GBP	3,662,448	20.15	10,128,773	14.98
Share incentives designated in ZAR	2,205,700	225.73	3,372,370	196.44
Total share incentives exercised or vested during the year	5,868,148		13,501,143	

Broad-Based Black Economic Empowerment (BBBEE) scheme

On 9 June 2010 the initial allocation of participation rights was made in relation to the BBBEE scheme in South Africa. A total of 46.2 million new shares in The South African Breweries Limited (SAB), representing 8.45% of SAB's enlarged issued share capital, were issued. The shares in SAB will be exchanged at the end of the estimated ten-year scheme term for shares in SABMiller plc based on a repurchase formula linked, inter alia, to the operating performance of SAB. No performance conditions and exercise prices are attached to these shares, although the employee component has a four-year vesting period. The weighted average fair value of each SAB share at the grant date was ZAR40.

Weighted average fair value assumptions

The fair value of services received in return for share awards granted is measured by reference to the fair value of share awards granted. The estimate of the fair value of the services received is measured based on a binomial model approach except for the awards under Performance Share Award schemes, the Executive Share Award Plan 2008 (including value share awards) and the BBBEE scheme which have been valued using Monte Carlo simulations.

The Monte Carlo simulation methodology is necessary for valuing share-based payments with TSR performance hurdles. This is achieved by projecting SABMiller plc's share price forwards, together with those of companies in the same comparator group, over the vesting period and/or life of the awards after considering their respective volatilities.

The following weighted average assumptions were used in these option pricing models during the year.

	2011	2010
Share price ¹		
– South African share option scheme (ZAR)	226.66	204.19
– BBBEE scheme – SAB share price (ZAR)	162.68	–
– All other schemes (£)	19.49	12.23
Exercise price ¹		
– South African share option scheme (ZAR)	222.55	203.64
– All other schemes (£)	8.80	7.21
Expected volatility ²		
– BBBEE scheme	27.1%	–
– All other schemes	29.2%	30.6%
Dividend yield		
– BBBEE scheme	4.9%	–
– All other schemes	2.5%	4.0%
Annual forfeiture rate		
– South African share option scheme	5.0%	5.0%
– All other schemes	3.0%	3.0%
Risk-free interest rate		
– South African share option scheme	8.7%	9.0%
– BBBEE scheme	8.3%	–
– All other schemes	2.9%	2.9%

¹ The calculation is based on the weighted fair value of issues made during the year.

² Expected volatility is calculated by assessing the historical share price data in the United Kingdom and South Africa since May 2002.

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27. Retained earnings and other reserves

a. Retained earnings

	Treasury and EBT shares US\$m	Retained earnings US\$m	Total US\$m
At 1 April 2009	(722)	7,218	6,496
Profit for the year	–	1,910	1,910
Other comprehensive income	–	(29)	(29)
Actuarial losses taken to other comprehensive income	–	(15)	(15)
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(17)	(17)
Deferred tax credit on items taken to other comprehensive income	–	3	3
Dividends paid	–	(924)	(924)
Payment for purchase of own shares for share trusts	(8)	–	(8)
Utilisation of EBT shares	57	(57)	–
Credit entry relating to share-based payments	–	80	80
At 31 March 2010	(673)	8,198	7,525
Profit for the year	–	2,408	2,408
Other comprehensive income	–	(63)	(63)
Actuarial losses taken to other comprehensive income	–	(28)	(28)
Share of associates' and joint ventures' losses recognised in other comprehensive income	–	(71)	(71)
Deferred tax credit on items taken to other comprehensive income	–	36	36
Dividends paid	–	(1,115)	(1,115)
Buyout of non-controlling interests	–	(10)	(10)
Utilisation of EBT shares	16	(16)	–
Credit entry relating to share-based payments	–	246	246
At 31 March 2011	(657)	9,648	8,991

The group's retained earnings include amounts of US\$693 million (2010: US\$678 million), the distribution of which is limited by statutory or other restrictions.

Treasury and EBT shares reserve

On 26 February 2009, 77,368,338 SABMiller plc non-voting convertible shares were converted into ordinary shares and then acquired by the company to be held as treasury shares. While the purchase price for each share was £10.54, the whole amount of the consideration was paid between group companies. On 15 February 2010, 5,300,000 of these treasury shares were transferred to the EBT for nil consideration. These shares will be used to satisfy awards outstanding under the various share incentive plans. As at 31 March 2011, a total of 72,068,338 shares (2010: 72,068,338) were held in treasury.

The EBT holds shares in SABMiller plc for the purposes of the various executive share incentive plans, further details of which are disclosed in the remuneration report. The shares currently rank pari passu with all other ordinary shares. At 31 March 2011 the EBT held 7,437,406 shares (2010: 8,672,331 shares) which cost US\$94 million (2010: US\$110 million) and had a market value of US\$263 million (2010: US\$255 million). These shares have been treated as a deduction in arriving at shareholders' funds. The EBT used funds provided by SABMiller plc to purchase such of the shares as were purchased in the market. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

27. Retained earnings and other reserves continued

b. Other reserves

The analysis of other reserves is as follows.

	Foreign currency translation reserve US\$m	Cash flow hedging reserve US\$m	Net investment hedging reserve US\$m	Available for sale reserve US\$m	Total US\$m
At 1 April 2009	(914)	(66)	107	1	(872)
Currency translation differences:					
– Subsidiaries	2,346	–	–	–	2,346
– Associates and joint ventures	101	–	–	–	101
Net investment hedges	–	–	(310)	–	(310)
Cash flow hedges	–	(59)	–	–	(59)
Available for sale investments	–	–	–	2	2
Deferred tax on items taken to other comprehensive income	–	(39)	–	–	(39)
Share of associates' and joint ventures' gains recognised in other comprehensive income	–	153	–	–	153
At 31 March 2010	1,533	(11)	(203)	3	1,322
Currency translation differences:					
– Subsidiaries	501	–	–	–	501
– Associates and joint ventures	149	–	–	–	149
Net investment hedges	–	–	(137)	–	(137)
Cash flow hedges	–	39	–	–	39
Deferred tax on items taken to other comprehensive income	–	(14)	–	–	(14)
Share of associates' and joint ventures' gains recognised in other comprehensive income	–	21	–	–	21
At 31 March 2011	2,183	35	(340)	3	1,881

Foreign currency translation reserve

The foreign currency translation reserve comprises all translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates.

28a. Reconciliation of profit for the year to net cash generated from operations

	2011 US\$m	2010 US\$m
Profit for the year	2,557	2,081
Taxation	1,069	848
Share of post-tax results of associates and joint ventures	(1,024)	(873)
Interest receivable and similar income	(358)	(316)
Interest payable and similar charges	883	879
Operating profit	3,127	2,619
Depreciation:		
– Property, plant and equipment	665	655
– Containers	239	226
Container breakages, shrinkages and write-offs	24	40
Profit on partial disposal of investment in associate	(159)	–
(Profit)/loss on disposal of property, plant and equipment	(5)	39
Profit on disposal of available for sale investments	–	(2)
Amortisation of intangible assets	220	203
Impairment of intangible assets	14	–
Impairment of property, plant and equipment	31	45
Impairment of working capital balances	82	34
Amortisation of advances to customers	28	28
Unrealised net loss from fair value hedges	1	1
Dividends received from other investments	(1)	(2)
Charge with respect to share options	99	80
Charge with respect to Broad-Based Black Economic Empowerment scheme	147	–
Other non-cash movements	(10)	8
Net cash generated from operations before working capital movements (EBITDA)	4,502	3,974
Decrease in inventories	26	78
(Increase)/decrease in receivables	(147)	48
Increase in payables	161	416
Increase in provisions	18	22
Increase/(decrease) in post-retirement benefit provisions	8	(1)
Net cash generated from operations	4,568	4,537

Notes to the consolidated financial statements

continued

28a. Reconciliation of profit for the year to net cash generated from operations continued

Profit for the year and cash generated from operations before working capital movements includes cash flows relating to exceptional items of US\$293 million (2010: US\$339 million), comprising US\$283 million (2010: US\$301 million) in respect of business capability programme costs, US\$8 million (2010: US\$15 million) in respect of integration and restructuring costs, US\$2 million (2010: US\$11 million) in respect of Broad-Based Black Economic Empowerment scheme costs, and US\$nil (2010: US\$12 million) in respect of transaction costs.

The following table provides a reconciliation of EBITDA to adjusted EBITDA.

	2011 US\$m	2010 US\$m
EBITDA	4,502	3,974
Cash exceptional items	293	339
Dividends received from MillerCoors	822	707
Adjusted EBITDA	5,617	5,020

28b. Reconciliation of net cash generated from operating activities to free cash flow

	2011 US\$m	2010 US\$m
Net cash generated from operating activities	3,043	3,277
Purchase of property, plant and equipment	(1,189)	(1,436)
Proceeds from sale of property, plant and equipment	73	37
Purchase of intangible assets	(126)	(92)
Investments in joint ventures	(186)	(353)
Investments in associates	(4)	(63)
Repayment of investments by associates	68	3
Dividends received from joint ventures	822	707
Dividends received from associates	88	106
Dividends received from other investments	1	2
Dividends paid to non-controlling interests	(102)	(160)
Free cash flow	2,488	2,028

28c. Analysis of net debt

Cash and cash equivalents on the balance sheet are reconciled to cash and cash equivalents on the cash flow statement as follows.

	2011 US\$m	2010 US\$m
Cash and cash equivalents (balance sheet)	1,067	779
Cash and cash equivalents of disposal group classified as held for sale	4	–
	1,071	779
Overdrafts	(258)	(190)
Cash and cash equivalents (cash flow)	813	589

Net debt is analysed as follows.

	Cash and cash equivalents (excluding overdrafts) US\$m	Overdrafts US\$m	Borrowings US\$m	Derivative financial instruments US\$m	Finance leases US\$m	Total gross borrowings US\$m	Net debt US\$m
At 1 April 2009	422	(300)	(9,308)	487	(10)	(9,131)	(8,709)
Exchange adjustments	196	(106)	(665)	(8)	(2)	(781)	(585)
Cash flow	143	216	604	–	4	824	967
Acquisitions – through business combinations	18	–	(13)	–	(1)	(14)	4
Other movements	–	–	170	(242)	(3)	(75)	(75)
At 31 March 2010	779	(190)	(9,212)	237	(12)	(9,177)	(8,398)
Exchange adjustments	8	17	(174)	(3)	–	(160)	(152)
Cash flow	283	(72)	1,159	84	5	1,176	1,459
Acquisitions – through business combinations	1	(13)	–	–	(1)	(14)	(13)
Other movements	–	–	34	(20)	(1)	13	13
At 31 March 2011	1,071	(258)	(8,193)	298	(9)	(8,162)	(7,091)

28c. Analysis of net debt continued

The group's net debt is denominated in the following currencies.

	US dollars US\$m	SA rand US\$m	Euro US\$m	Colombian peso US\$m	Other currencies US\$m	Total US\$m
Total cash and cash equivalents	609	30	111	96	225	1,071
Total gross borrowings (including overdrafts)	(4,334)	(290)	(1,482)	(1,202)	(854)	(8,162)
	(3,725)	(260)	(1,371)	(1,106)	(629)	(7,091)
Cross currency swaps	1,089	(413)	(116)	–	(560)	–
Net debt at 31 March 2011	(2,636)	(673)	(1,487)	(1,106)	(1,189)	(7,091)
Total cash and cash equivalents	352	134	49	48	196	779
Total gross borrowings (including overdrafts)	(5,094)	(526)	(1,403)	(1,253)	(901)	(9,177)
	(4,742)	(392)	(1,354)	(1,205)	(705)	(8,398)
Cross currency swaps	2,124	(384)	(569)	(557)	(614)	–
Net debt at 31 March 2010	(2,618)	(776)	(1,923)	(1,762)	(1,319)	(8,398)

28d. Major non-cash transactions

2011

IFRS 2 share-based payment charges in relation to the retailer and employee components of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa were significant non-cash charges in the year.

The all-share merger of Tsogo Sun with GRR, a Johannesburg Stock Exchange listed business, on 24 February 2011 was a significant non-cash transaction in the year. The transaction was effected through the acquisition by GRR of Tsogo Sun, and the group exchanged its entire 49% shareholding in Tsogo Sun for a 39.68% shareholding in the listed enlarged entity.

Further details of both of these transactions are provided in note 4.

2010

The acquisition of the outstanding 28.1% non-controlling interest in the group's Polish subsidiary, Kompania Piwowarska SA, in exchange for the issue of 60 million ordinary shares in SABMiller plc was a significant non-cash transaction in the year.

29. Restatement of the balance sheet at 31 March 2010

The initial accounting under IFRS 3, 'Business Combinations', for the maheu and Rwenzori acquisitions had not been completed as at 31 March 2010. During the year ended 31 March 2011 adjustments to provisional fair values in respect of these acquisitions were made which resulted in goodwill decreasing by US\$5 million to US\$11,579 million, current trade and other payables increasing by US\$1 million to US\$3,228 million and total equity decreasing by US\$6 million to US\$20,593 million. As a result comparative information for the year ended 31 March 2010 has been presented in the consolidated financial statements as if the adjustments to provisional fair values had been made from the respective transaction dates. The impact on the prior year income statement has been reviewed and no adjustments to the income statement are required as a result of the adjustments to provisional fair values.

30. Acquisitions and disposals

The following business combinations took effect during the year.

On 24 November 2010 the group acquired a 100% interest in Cervecería Argentina SA Isenbeck (CASA Isenbeck), the third largest brewer in Argentina, for cash consideration of US\$38 million.

On 30 November 2010 the group acquired an 80% effective interest in Crown Foods Ltd, a mineral water and juice business in Kenya, for cash consideration of US\$7 million.

Notes to the consolidated financial statements

continued

30. Acquisitions and disposals continued

All business combinations

All business combinations have been accounted for using the acquisition method. All assets were recognised at their respective fair values. The residual over the net assets acquired is recognised as goodwill in the financial statements. The following table represents the assets and liabilities acquired in respect of all business combinations entered into during the year ended 31 March 2011.

	Provisional fair value US\$m
Intangible assets	7
Property, plant and equipment	22
Inventories	3
Trade and other receivables	5
Cash and cash equivalents	1
Overdrafts	(13)
Finance leases	(1)
Trade and other payables	(11)
Deferred tax liabilities	(1)
Provisions	(8)
Net assets acquired	4
Provisional goodwill	41
Consideration	45

Goodwill represents, amongst other things, tangible and intangible assets yet to be recognised separately from goodwill as the fair value valuations are still in progress, potential synergies and the value of the assembled workforce. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of trade and other receivables was US\$5 million and included trade receivables with a fair value of US\$4 million. The gross contractual amount for trade receivables due was US\$5 million, of which US\$1 million is expected to be uncollectible.

Acquisition-related costs of US\$3 million are included in administrative expenses in the consolidated income statement for the year ended 31 March 2011.

	US\$m
Consideration satisfied by:	
Cash consideration	60
Cash and cash equivalents acquired	(12)
Deferred consideration paid relating to prior year acquisitions	(3)
	45

From the date of acquisition to 31 March 2011 the following amounts have been included in the group's income and cash flow statements for the year.

	US\$m
Income statement	
Revenue	21
Operating loss	(3)
Loss before tax	(4)
Cash flow statement	
Cash utilised in operations	(2)
Net interest paid	(1)
Purchase of property, plant and equipment	(1)

If the date of the acquisitions made during the year had been 1 April 2010, then the group's revenue, operating profit and profit before tax for the year ended 31 March 2011 would have been as follows.

	US\$m
Income statement	
Revenue	19,430
Operating profit	3,116
Profit before tax	3,614

30. Acquisitions and disposals continued

Non-controlling interests

The following non-controlling interests were acquired for cash consideration of US\$12 million, generating additional equity of US\$10 million.

Company	% acquired	Effective % holding after acquisition of non-controlling interest	Form of consideration	Country
Accra Brewery Ltd	27.2	60%	Cash	Ghana
Bavaria SA	0.1	99%	Cash	Colombia
Cervecería Nacional SA	0.1	97%	Cash	Panama

31. Commitments, contingencies and guarantees

a. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases at 31 March 2011 are as follows.

	2011 US\$m	2010 US\$m
Land and buildings		
Within one year	50	50
Later than one year and less than five years	106	109
After five years	26	33
	182	192
Plant, vehicles and systems		
Within one year	50	32
Later than one year and less than five years	111	54
After five years	63	37
	224	123

b. Other commitments

	2011 US\$m	2010 US\$m
Capital commitments not provided in the financial information		
Contracts placed for future expenditure for property, plant and equipment	269	261
Contracts placed for future expenditure for intangible assets	1	2
Share of capital commitments of joint ventures	50	37
Other commitments not provided in the financial information		
Contracts placed for future expenditure	1,925	2,086
Share of joint ventures' other commitments	449	482

Contracts placed for future expenditure in 2011 primarily relate to minimum purchase commitments for raw materials and packaging materials, which are principally due between 2011 and 2016. Additionally, as part of the business capability programme the group has entered into contracts for the provision of IT, communications and consultancy services and in relation to which the group had commitments of US\$193 million at 31 March 2011 (2010: US\$142 million).

The group's share of joint ventures' other commitments primarily relate to MillerCoors' various long-term non-cancellable advertising and promotion commitments.

Notes to the consolidated financial statements

continued

31. Commitments, contingencies and guarantees continued

c. Contingent liabilities and guarantees

	2011 US\$m	2010 US\$m
Guarantees to third parties provided in respect of trade loans ¹	8	16
Guarantees to third parties provided in respect of bank facilities	3	9
Share of joint ventures' contingent liabilities	6	8
Litigation ²	24	14
Other contingent liabilities	4	–
	45	47

¹ Guarantees to third parties provided in respect of trade loans

These primarily relate to guarantees given by Grolsch to banks in relation to loans taken out by trade customers.

² Litigation

The group has a number of activities in a wide variety of geographic areas and is subject to certain legal claims incidental to its operations. In the opinion of the directors, after taking appropriate legal advice, these claims are not expected to have, either individually or in aggregate, a material adverse effect upon the group's financial position, except insofar as already provided in the consolidated financial statements. These include claims made by certain former employees in Ecuador arising out of events which took place before the group's investment in Ecuador in 2005, in respect of which, based on legal advice that they have no valid legal basis, the directors have determined that no provision is required and that they should continue to be contested.

Other

SABMiller and Altria entered into a tax matters agreement (the Agreement) on 30 May 2002, to regulate the conduct of tax matters between them with regard to the acquisition of Miller and to allocate responsibility for contingent tax costs. SABMiller has agreed to indemnify Altria against any taxes, losses, liabilities and costs that Altria incurs arising out of or in connection with a breach by SABMiller of any representation, agreement or covenant in the Agreement, subject to certain exceptions.

The group has exposures to various environmental risks. Although it is difficult to predict the group's liability with respect to these risks, future payments, if any, would be made over a period of time in amounts that would not be material to the group's financial position, except insofar as already provided in the consolidated financial statements.

32. Pensions and post-retirement benefits

The group operates a number of pension schemes throughout the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The majority of the schemes are funded and the schemes' assets are held independently of the group's finances. The assets of the schemes do not include any of the group's own financial instruments, nor any property occupied by or other assets used by the group. Pension and post-retirement benefit costs are assessed in accordance with the advice of independent professionally qualified actuaries. Generally, the projected unit method is applied to measure the defined benefit scheme liabilities.

The group also provides medical benefits, which are mainly unfunded, for retired employees and their dependants in South Africa, The Netherlands and Latin America.

The total pension and post-retirement medical benefit costs recognised in the income statement, and related net liabilities on the balance sheet are as follows.

	2011 US\$m	2010 US\$m
Defined contribution scheme costs	97	83
Defined benefit pension plan costs	17	23
Post-retirement medical and other benefit costs	5	13
Accruals for defined contribution plans (balance sheet)	3	3
Provisions for defined benefit pension plans (balance sheet)	196	187
Provisions for other post-retirement benefits (balance sheet)	114	103

The group operates various defined contribution and defined benefit schemes. Details of the main defined benefit schemes are provided below.

Latin America pension schemes

The group operates a number of pension schemes throughout Latin America. Details of the major scheme are provided below.

The Colombian Labour Code Pension Plan is an unfunded scheme of the defined benefit type and covers all salaried and hourly employees in Colombia who are not covered by social security or who have at least 10 years of service prior to 1 January 1967. The plan is financed entirely through company reserves and there are no external assets. The most recent actuarial valuation of the Colombian Labour Code Pension Plan was carried out by independent professionally qualified actuaries at 28 February 2011 using the projected unit credit method. All salaried employees are now covered by social security or private pension fund provisions. The principal economic assumptions used in the preparation of the pension valuations are shown below and take into consideration changes in the Colombian economy.

32. Pensions and post-retirement benefits continued

Grolsch pension scheme

The Grolsch pension plan, named Stichting Pensioenfonds van de Grolsche Bierbrouwerij, is a funded scheme of the defined benefit type, based on average salary with assets held in separately administered funds. The latest valuation of the Grolsch pension fund was carried out at 31 March 2011 by an independent actuary using the projected unit credit method.

South Africa pension schemes

The group operates a number of pension schemes throughout South Africa. Details of the major schemes are provided below.

The ABI Pension Fund, Suncrush Pension Fund and Suncrush Retirement Fund are funded schemes of the defined benefit type based on average salary with assets held in separately administered funds. The surplus apportionment schemes for the ABI Pension Fund, the Suncrush Pension Fund and Suncrush Retirement Fund have been approved by the Financial Services Board.

The active and pensioner liabilities in respect of the ABI Pension Fund and the Suncrush Retirement Fund have been settled. The only liabilities are in respect of the surplus apportionment scheme and unclaimed benefits. Once the surplus liabilities have been settled, the Funds will be deregistered and liquidated. The trustees have resolved that any surplus remaining in the Suncrush Retirement Fund should be transferred to the Suncrush Pension Fund, although this has not yet been approved.

Principal actuarial assumptions at 31 March (expressed as weighted averages)

		Defined benefit pension plans			Medical and other post-retirement benefits	
		Latin America	Grolsch	Other	South Africa	Other
At 31 March 2011						
Discount rate (%)		8.4	5.3	5.2	8.8	8.4
Salary inflation (%)		4.0	2.0	2.4	–	–
Pension inflation (%)		4.0	2.0	3.0	–	–
Healthcare cost inflation (%)		–	–	–	7.3	4.0
Mortality rate assumptions						
– Retirement age:	Males	55	65	–	63	55
	Females	50	65	–	63	50
– Life expectations on retirement age:						
Retiring today:	Males	27	21	–	16	27
	Females	36	24	–	20	36
Retiring in 20 years:	Males	–	22	–	16	–
	Females	–	25	–	20	–
At 31 March 2010						
Discount rate (%)		8.8	5.0	4.9	9.5	8.8
Salary inflation (%)		4.0	2.5	3.6	–	–
Pension inflation (%)		4.0	2.5	3.1	–	–
Healthcare cost inflation (%)		–	–	–	8.0	4.0
Mortality rate assumptions						
– Retirement age:	Males	55	65	–	63	55
	Females	50	65	–	63	50
– Life expectations on retirement age:						
Retiring today:	Males	20	21	–	16	20
	Females	25	22	–	20	25
Retiring in 20 years:	Males	–	22	–	16	–
	Females	–	23	–	20	–

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continued

32. Pensions and post-retirement benefits continued

The present value of defined benefit pension plan and post-employment medical benefit liabilities are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US\$m	Grolsch US\$m	Other US\$m	Total US\$m	South Africa US\$m	Other US\$m	Total US\$m
Present value of scheme liabilities at 1 April 2009	109	241	69	419	38	42	80
– Portion of defined benefit obligation that is unfunded	107	–	21	128	38	42	80
– Portion of defined benefit obligation that is partly or wholly funded	2	241	48	291	–	–	–
Benefits paid	(14)	(10)	(21)	(45)	–	(7)	(7)
Contributions paid by plan participants	–	3	–	3	(2)	(2)	(4)
Current service cost	1	5	2	8	1	2	3
Interest costs	13	14	5	32	4	4	8
Actuarial losses/(gains)	5	43	(7)	41	4	(4)	–
Transfer (to)/from other provisions	(1)	–	1	–	–	–	–
Exchange adjustments	35	3	13	51	14	9	23
Present value of scheme liabilities at 31 March 2010	148	299	62	509	59	44	103
– Portion of defined benefit obligation that is unfunded	146	–	24	170	59	44	103
– Portion of defined benefit obligation that is partly or wholly funded	2	299	38	339	–	–	–
Benefits paid	(18)	(9)	(14)	(41)	–	(6)	(6)
Contributions paid by plan participants	–	3	–	3	(2)	–	(2)
Current service cost	1	5	3	9	2	–	2
Past service cost	–	–	–	–	–	(1)	(1)
Interest costs	11	14	4	29	6	4	10
Actuarial losses/(gains)	24	(18)	–	6	2	6	8
Settlements and curtailments	–	(3)	–	(3)	–	(6)	(6)
Transfer from/(to) other provisions	3	–	(3)	–	–	–	–
Acquisitions	1	–	–	1	–	–	–
Transfers to disposal group classified as held for sale	–	–	(6)	(6)	–	–	–
Exchange adjustments	5	14	2	21	4	2	6
Present value of scheme liabilities at 31 March 2011	175	305	48	528	71	43	114
– Portion of defined benefit obligation that is unfunded	175	–	13	188	71	43	114
– Portion of defined benefit obligation that is partly or wholly funded	–	305	35	340	–	–	–

32. Pensions and post-retirement benefits continued

The fair value reconciliations of opening plan assets to closing plan assets, on an aggregated basis, are as follows.

	Defined benefit pension plans		
	Grosch US\$m	Other US\$m	Total US\$m
Plan assets at 1 April 2009	242	57	299
Expected return on plan assets	14	5	19
Benefits paid	(10)	(18)	(28)
Employer contributions	8	(7)	1
Actuarial gains	33	–	33
Exchange adjustments	4	16	20
Plan assets at 31 March 2010	291	53	344
Expected return on plan assets	15	4	19
Benefits paid	(9)	(10)	(19)
Employer contributions	7	–	7
Actuarial gains	13	1	14
Exchange adjustments	16	4	20
Plan assets at 31 March 2011	333	52	385

The fair value of assets in pension schemes and the expected rates of return were:

	Latin America		Grosch		Other		Total
	US\$m	Long-term rate of return	US\$m	Long-term rate of return	US\$m	Long-term rate of return	
At 31 March 2011							
Equities	–	–	111	8.0	–	–	111
Bonds	–	–	202	4.0	4	9.0	206
Cash	–	–	–	–	48	8.0	48
Property and other	–	–	20	8.0	–	–	20
Total fair value of assets	–		333		52		385
Present value of scheme liabilities	(175)		(305)		(48)		(528)
(Deficit)/surplus in the scheme	(175)		28		4		(143)
Unrecognised pension asset due to limit	–		(28)		(25)		(53)
Pension liability recognised	(175)		–		(21)		(196)
At 31 March 2010							
Equities	–	–	90	8.0	1	12.0	91
Bonds	–	–	180	4.0	1	9.0	181
Cash	–	–	1	–	51	7.0	52
Property and other	–	–	20	–	–	–	20
Total fair value of assets	–		291		53		344
Present value of scheme liabilities	(148)		(299)		(62)		(509)
Deficit in the scheme	(148)		(8)		(9)		(165)
Unrecognised pension asset due to limit	–		–		(22)		(22)
Pension liability recognised	(148)		(8)		(31)		(187)

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continued

32. Pensions and post-retirement benefits continued

The amounts recognised in the balance sheet are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US\$m	Grolsch US\$m	Other US\$m	Total US\$m	South Africa US\$m	Other US\$m	Total US\$m
At 31 March 2011							
Present value of scheme liabilities	(175)	(305)	(48)	(528)	(71)	(43)	(114)
Fair value of plan assets	–	333	52	385	–	–	–
	(175)	28	4	(143)	(71)	(43)	(114)
Unrecognised assets due to limit	–	(28)	(25)	(53)	–	–	–
Net liability recognised on balance sheet	(175)	–	(21)	(196)	(71)	(43)	(114)
At 31 March 2010							
Present value of scheme liabilities	(148)	(299)	(62)	(509)	(59)	(44)	(103)
Fair value of plan assets	–	291	53	344	–	–	–
	(148)	(8)	(9)	(165)	(59)	(44)	(103)
Unrecognised assets due to limit	–	–	(22)	(22)	–	–	–
Net liability recognised on balance sheet	(148)	(8)	(31)	(187)	(59)	(44)	(103)

In respect of defined benefit pensions plans in South Africa, which are included in 'Other', the pension asset recognised is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The limit has been set equal to nil as the surplus apportionment exercise required in terms of the South African legislation has not yet been completed. In addition, the net gain of US\$1 million (2010: US\$1 million) which would be taken to the income statement and net actuarial gain which would be taken directly to other comprehensive income of US\$2 million (2010: US\$7 million) are not recognised in the financial statements.

The pension asset recognised in respect of Grolsch is limited to the extent that the employer is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The limit has been set equal to nil due to the terms of the pension agreement with the pension fund.

The amounts recognised in net operating expenses in the income statement are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US\$m	Grolsch US\$m	Other US\$m	Total US\$m	South Africa US\$m	Other US\$m	Total US\$m
At 31 March 2011							
Current service cost	(1)	(5)	(3)	(9)	(2)	–	(2)
Past service cost	–	–	–	–	–	1	1
Interest costs	(11)	(14)	(4)	(29)	(6)	(4)	(10)
Expected return on plan assets	–	15	4	19	–	–	–
Settlements and curtailments	–	3	–	3	–	6	6
Unrecognised gains due to limit	–	–	(1)	(1)	–	–	–
	(12)	(1)	(4)	(17)	(8)	3	(5)
At 31 March 2010							
Current service cost	(1)	(5)	(2)	(8)	(1)	(2)	(3)
Interest costs	(13)	(15)	(1)	(29)	(4)	(6)	(10)
Expected return on plan assets	–	14	–	14	–	–	–
	(14)	(6)	(3)	(23)	(5)	(8)	(13)

32. Pensions and post-retirement benefits continued

The amounts recognised in the statement of comprehensive income are as follows.

	Defined benefit pension plans				Medical and other post-retirement benefits		
	Latin America US\$m	Grolsch US\$m	Other US\$m	Total US\$m	South Africa US\$m	Other US\$m	Total US\$m
At 31 March 2011							
Actual return on plan assets	–	28	5	33	–	–	–
Less: expected return on plan assets	–	(15)	(4)	(19)	–	–	–
Experience gains/(losses) arising on							
scheme assets	–	13	1	14	–	–	–
scheme liabilities	–	18	–	18	(2)	–	(2)
Changes in actuarial assumptions	(23)	–	–	(23)	–	(6)	(6)
Other actuarial losses	(1)	–	–	(1)	–	–	–
Unrecognised gains due to limit	–	(26)	(2)	(28)	–	–	–
	(24)	5	(1)	(20)	(2)	(6)	(8)
At 31 March 2010							
Actual return on plan assets	–	47	–	47	–	–	–
Less: expected return on plan assets	–	(14)	–	(14)	–	–	–
Experience gains/(losses) arising on							
scheme assets	–	33	–	33	–	–	–
scheme liabilities	–	(43)	–	(43)	(1)	–	(1)
Changes in actuarial assumptions	(6)	–	–	(6)	(3)	4	1
Other actuarial gains	1	–	–	1	–	–	–
	(5)	(10)	–	(15)	(4)	4	–

The cumulative amounts recognised in other comprehensive income are as follows.

	2011 US\$m	2010 US\$m
Cumulative actuarial losses recognised at beginning of year	(175)	(160)
Net actuarial losses recognised in the year	(28)	(15)
Cumulative actuarial losses recognised at end of year	(203)	(175)

History of actuarial gains and losses

	2011 US\$m	2010 US\$m	2009 US\$m	2008 US\$m	2007 US\$m
Experience gains/(losses) of plan assets	14	33	(77)	(90)	28
Percentage of plan assets	4%	10%	26%	7%	3%
Experience gains/(losses) of scheme liabilities	16	(44)	28	2	(62)
Percentage of scheme liabilities	2%	7%	6%	0%	3%
Fair value of plan assets	385	344	299	1,348	1,112
Present value of scheme liabilities	(642)	(612)	(499)	(2,338)	(2,064)
Deficit in the schemes	(257)	(268)	(200)	(990)	(952)
Unrecognised assets due to limit	(53)	(22)	(17)	(27)	(47)
Net liability recognised in balance sheet	(310)	(290)	(217)	(1,017)	(999)

Contributions expected to be paid into the group's major defined benefit schemes during the annual period after 31 March 2011 are US\$21 million.

A 1% increase and a 1% decrease in the assumed healthcare cost of inflation will have the following effect on the group's major post-employment medical benefits.

	2011	
	Increase US\$m	Decrease US\$m
Current service costs	–	–
Interest costs	1	(1)
Accumulated post-employment medical benefit costs	12	(10)

Notes to the consolidated financial statements

continued

33. Related party transactions

a. Parties with significant influence over the group: Altria Group, Inc. (Altria) and the Santo Domingo Group (SDG)

Altria is considered to be a related party of the group by virtue of its 27.1% equity shareholding. There were no transactions with Altria during the year.

SDG is considered to be a related party of the group by virtue of its 14.2% equity shareholding in SABMiller plc. During the year the group made a donation of US\$32 million to the Fundación Mario Santo Domingo (2010: US\$30 million), pursuant to the contractual arrangements entered into at the time of the Bavaria transaction in 2005, under which it was agreed that the proceeds of the sale of surplus non-operating property assets owned by Bavaria SA and its subsidiaries would be donated to various charities, including the Fundación Mario Santo Domingo. At 31 March 2011, US\$nil (2010: US\$nil) was owing to the SDG.

b. Associates and joint ventures

Details relating to transactions with associates and joint ventures are analysed below.

	2011 US\$m	2010 US\$m
Purchases from associates ¹	(211)	(193)
Purchases from joint ventures ²	(75)	(72)
Sales to associates ³	36	28
Sales to joint ventures ⁴	31	44
Dividends receivable from associates ⁵	89	109
Dividends received from joint ventures ⁶	822	707
Royalties received from associates ⁷	7	–
Royalties received from joint ventures ⁸	2	2
Management fees and other recoveries received from associates ⁹	10	–
Management and guarantee fees paid to joint ventures ¹⁰	(2)	(1)

¹ The group purchased canned Coca-Cola products for resale from Coca-Cola Canners of Southern Africa (Pty) Limited (Coca-Cola Canners); inventory from Distell Group Ltd (Distell) and Associated Fruit Processors (Pty) Ltd (AFP); and accommodation from Tsogo Sun Holdings (Pty) Ltd (Tsogo Sun), all in South Africa.

² The group purchased lager from MillerCoors LLC (MillerCoors).

³ The group made sales of lager to Tsogo Sun, Empresa Cervejas De N'Gola SARL (ECN), Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd (Castel), Delta Corporation Ltd (Delta) and Distell.

⁴ The group made sales to MillerCoors and Pacific Beverages (Pty) Ltd.

⁵ The group had dividends receivable from Castel of US\$39 million (2010: US\$40 million), Kenya Breweries Ltd US\$14 million (2010: US\$11 million), Coca-Cola Canners US\$5 million (2010: US\$5 million), Distell US\$21 million (2010: US\$19 million), Tsogo Sun US\$3 million (2010: US\$28 million), ECN US\$3 million (2010: US\$3 million), Delta US\$2 million (2010: US\$nil) and Grolsch (UK) Ltd of US\$2 million (2010: US\$3 million).

⁶ The group received dividends from MillerCoors.

⁷ The group received royalties from Kenya Breweries Ltd and Delta.

⁸ The group received royalties from MillerCoors and Pacific Beverages (Pty) Ltd.

⁹ The group received management fees from ECN and other recoveries from AFP.

¹⁰ The group paid management and guarantee fees to MillerCoors.

At 31 March	2011 US\$m	2010 US\$m
Amounts owed by associates ¹	12	3
Amounts owed by joint ventures ²	5	4
Amounts owed to associates ³	(24)	(38)
Amounts owed to joint ventures ⁴	(16)	(23)

¹ Amounts owed by AFP, Distell, GRR, Delta, ECN and Kenya Breweries Ltd.

² Amounts owed by MillerCoors and Pacific Beverages (Pty) Ltd.

³ Amounts owed to Coca-Cola Canners and GRR.

⁴ Amounts owed to MillerCoors.

c. Transactions with key management

The group has a related party relationship with the directors of the group and members of the excom as key management. At 31 March 2011, there were 24 (2010: 25) members of key management. Key management compensation is provided in note 6c.

34. Post balance sheet events

In April 2011, the group entered into a five-year US\$2,500 million committed syndicated facility, with the option of two one-year extensions. This facility replaced the existing US\$2,000 million and US\$600 million committed syndicated facilities, which were both voluntarily cancelled.

On 27 May 2011 SpA Birra Peroni agreed to sell its in-house distribution business to the Tuo Group for cash consideration. Completion of the sale is subject to customary conditions precedent.

On 31 May 2011 SABMiller Africa BV agreed to sell its 20% shareholding in its associate, Kenya Breweries Limited (KBL), to East African Breweries Limited (EABL) for cash consideration of approximately US\$225 million, subject to EABL disposing of its 20% shareholding in SABMiller Africa BV's subsidiary, Tanzania Breweries Limited, by way of a public offer through the Dar-es-Salaam Stock Exchange. SABMiller International BV also agreed to terminate a brewing and distribution agreement with KBL and KBL will cease to distribute SABMiller's brands in Kenya after a short transitional period.

35. Principal subsidiaries, associates and joint ventures

The principal subsidiary undertakings of the group as at 31 March were as follows.

Name	Country of incorporation	Principal activity	Effective interest	
			2011	2010
Corporate				
SABMiller Holdings Ltd	United Kingdom	Holding company	100%	100%
SABMiller Finance BV ¹	Netherlands	Holding company	100%	100%
SABSA Holdings (Pty) Ltd	South Africa	Holding company	100%	100%
SABMiller Africa and Asia BV ¹	Netherlands	Holding company	100%	100%
SABMiller International BV	Netherlands	Trademark owner	100%	100%
SABMiller Latin America Ltd	United Kingdom	Holding company	100%	100%
Trinity Procurement GmbH	Switzerland	Procurement	100%	100%
Latin American operations				
Bavaria SA ²	Colombia	Brewing/Soft drinks	99%	99%
Bevco Ltd	British Virgin Islands	Holding company	100%	100%
Cervecería Argentina SA Isenbeck	Argentina	Brewing	100%	–
Cervecería del Valle SA	Colombia	Brewing	99%	99%
Cervecería Hondureña, SA de CV	Honduras	Brewing/Soft drinks	99%	99%
Cervecería Nacional (CN) SA ²	Ecuador	Brewing	96%	96%
Cervecería Nacional SA ²	Panama	Brewing	97%	97%
Cervecería San Juan SA ²	Peru	Brewing/Soft drinks	92%	86%
Cervecería Unión SA	Colombia	Brewing	98%	98%
Industrias La Constancia, SA de CV	El Salvador	Brewing/Soft drinks	100%	100%
Unión de Cervecerías Peruanas Backus y Johnston SAA ²	Peru	Brewing	94%	93%
European operations				
SABMiller Europe BV ¹	Netherlands	Holding company	100%	100%
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	100%	100%
SABMiller Netherlands Cooperative WA	Netherlands	Holding company	100%	100%
Compañía Cervecera de Canarias SA	Spain	Brewing	51%	51%
Dreher Sörgyárak Zrt	Hungary	Brewing	100%	100%
Grolsche Bierbrouwerij Nederland BV	Netherlands	Brewing	100%	100%
Kompania Piwowarska SA ³	Poland	Brewing	100%	100%
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	100%	100%
Pivovary Topvar as	Slovakia	Brewing	100%	100%
PJSC Miller Brands Ukraine ⁴	Ukraine	Brewing	100%	100%
Plzeňský Prazdroj as	Czech Republic	Brewing	100%	100%
SABMiller RUS LLC	Russia	Brewing	100%	100%
S.p.A. Birra Peroni	Italy	Brewing	100%	100%
Ursus Breweries SA	Romania	Brewing	99%	99%
North American operations				
SABMiller Holdings Inc	USA	Holding company	100%	100%
Miller Brewing Company	USA	Holding company	100%	100%

Notes to the consolidated financial statements

continued

35. Principal subsidiaries, associates and joint ventures continued

Name	Country of incorporation	Principal activity	Effective interest	
			2011	2010
African operations				
SABMiller Africa BV	Netherlands	Holding company	62%	62%
SABMiller Botswana BV	Netherlands	Holding company	62%	62%
SABMiller (A&A) Ltd	United Kingdom	Holding company	100%	100%
SABMiller Investments Ltd	Mauritius	Holding company	80%	80%
SABMiller Investments II BV	Netherlands	Holding company	80%	80%
SABMiller Zimbabwe BV	Netherlands	Holding company	62%	62%
Accra Brewery Ltd ⁵	Ghana	Brewing	60%	43%
Ambo Mineral Water Share Company	Ethiopia	Soft drinks	40%	40%
Botswana Breweries (Pty) Ltd	Botswana	Sorghum brewing	31%	31%
Cervejas de Moçambique SARL ²	Mozambique	Brewing	49%	49%
Chibuku Products Ltd	Malawi	Sorghum brewing	31%	31%
Coca-Cola Bottling Luanda SARL	Angola	Soft drinks	28%	28%
Coca-Cola Bottling Sul de Angola SARL	Angola	Soft drinks	37%	37%
Crown Foods Ltd	Kenya	Soft drinks	80%	–
Empresa De Cervejas N’Gola Norte SA	Angola	Brewing	31%	31%
Heinrich’s Syndicate Ltd	Zambia	Soft drinks	62%	62%
Kgalagadi Breweries (Pty) Ltd	Botswana	Brewing/Soft drinks	31%	31%
Maluti Mountain Brewery (Pty) Ltd ⁶	Lesotho	Brewing/Soft drinks	24%	24%
MUBEX	Mauritius	Procurement	100%	100%
National Breweries plc ²	Zambia	Sorghum brewing	43%	43%
Nile Breweries Ltd	Uganda	Brewing	60%	60%
Pabod Breweries Ltd	Nigeria	Brewing	59%	57%
Rwenzori Bottling Company Ltd	Uganda	Soft drinks	80%	80%
Southern Sudan Beverages Ltd	Southern Sudan	Brewing	80%	80%
Swaziland Brewers Ltd	Swaziland	Brewing	37%	37%
Tanzania Breweries Ltd ²	Tanzania	Brewing	33%	33%
Voltic (GH) Ltd	Ghana	Soft drinks	80%	80%
Voltic Nigeria Ltd	Nigeria	Soft drinks	80%	80%
Zambian Breweries plc ²	Zambia	Brewing/Soft drinks	54%	54%
Asian operations				
SABMiller Asia BV	Netherlands	Holding company	100%	100%
SABMiller (Asia) Ltd	Hong Kong	Holding company	100%	100%
SABMiller (A&A 2) Ltd	United Kingdom	Holding company	100%	100%
SABMiller India Ltd	India	Holding company	100%	100%
SABMiller Breweries Private Ltd	India	Brewing	100%	100%
SABMiller Vietnam Company Ltd	Vietnam	Brewing	100%	100%
Skol Breweries Ltd	India	Brewing	99%	99%
South African operations				
The South African Breweries Ltd	South Africa	Brewing/Soft drinks/ Holding company	100%	100%
The South African Breweries Hop Farms (Pty) Ltd	South Africa	Hop farming	100%	100%
The South African Breweries Maltings (Pty) Ltd	South Africa	Maltsters	100%	100%
Appletiser South Africa (Pty) Ltd	South Africa	Fruit juices	100%	100%

¹ Operates and resident for tax purposes in the United Kingdom.

² Listed in country of incorporation.

³ SABMiller Poland BV, a wholly owned subsidiary of the group, held 100% of Kompania Piwowarska SA.

⁴ Previously CJSC Sarmat.

⁵ De-listed with effect from 18 March 2011.

⁶ Previously Lesotho Brewing Company Pty (Ltd).

The group comprises a large number of companies. The list above includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. With the exception of those noted above, the principal country in which each of the above subsidiary undertakings operates is the same as the country in which each is incorporated.

35. Principal subsidiaries, associates and joint ventures continued

Where the group's nominal interest in the equity share capital of an undertaking is less than 50%, the basis on which the undertaking is a subsidiary undertaking of the group is as follows.

African operations

The group's effective interest in the majority of its African operations was diluted as a result of the disposal of a 38% interest in SABMiller Africa BV and SABMiller Botswana BV on 1 April 2001, in exchange for a 20% interest in the Castel group's African beverage interests. Investments in new territories are generally being made with the Castel group's African beverage operations on an 80:20 basis. The operations continue to be consolidated due to SABMiller Africa BV's, SABMiller Botswana BV's and SABMiller Investments II BV's majority shareholdings, and ability to control the operations.

Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd

SABMiller Botswana BV holds a 40% interest in each of Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd with the remaining 60% interest in each held by Sechaba Brewery Holdings Ltd. SABMiller Botswana's shares entitle the holder to twice the voting rights of those shares held by Sechaba Brewery Holdings Ltd. SABMiller Africa BV's 10.1% indirect interest (2010: 10.1%) is held via a 16.8% interest (2010: 16.8%) in Sechaba Brewery Holdings Ltd.

Maluti Mountain Brewery (Pty) Ltd (Maluti)

SABMiller Africa BV holds a 39% interest in Maluti with the remaining interest held by a government authority, the Lesotho National Development Corporation (51%), and the Commonwealth Development Corporation (10%). Maluti is treated as a subsidiary undertaking based on the group's ability to control its operations through its board representation. The day to day business operations are managed in accordance with a management agreement with Bevman Services AG, a group company.

Coca-Cola Bottling Luanda SARL (CCBL)

SABMiller Africa BV is the largest shareholder in CCBL with a 45% holding. Management control is exercised through a contractual agreement with Bevman Services AG, a group company.

Notes to the consolidated financial statements

continued

35. Principal subsidiaries, associates and joint ventures continued

Associates and joint ventures

The principal associates and joint ventures of the group as at 31 March are set out below. Where the group's interest in an associate or a joint venture is held by a subsidiary undertaking which is not wholly owned by the group, the subsidiary undertaking is indicated in a note below.

Name	Country of incorporation	Nature of relationship	Principal activity	Effective interest	
				2011	2010
European operations					
Grolsch (UK) Ltd	United Kingdom	Associate	Brewing	50%	50%
North American operations					
MillerCoors LLC ¹	USA	Joint venture	Brewing	58%	58%
African operations					
Brasseries Internationales Holding Ltd ²	Gibraltar	Associate	Holding company for subsidiaries principally located in Africa	20%	20%
Société des Brasseries et Glacières Internationales ²	France	Associate	Holding company for subsidiaries principally located in Africa	20%	20%
Algerienne de Bavaroise ^{2,3}	Algeria	Associate	Brewing	40%	40%
Delta Corporation Ltd ^{4,5}	Zimbabwe	Associate	Brewing/Soft drinks	23%	23%
Empresa Cervejas De N'Gola SARL	Angola	Associate	Brewing	28%	28%
Kenya Breweries Ltd ^{5,6}	Kenya	Associate	Brewing	12%	12%
Marocaine d'Investissements et de Services ^{2,7}	Morocco	Associate	Brewing	40%	40%
Skikda Bottling Company ^{2,3}	Algeria	Associate	Soft drinks	40%	40%
Société de Boissons de l'Ouest, Algerien ^{2,3}	Algeria	Associate	Soft drinks	40%	40%
Société des Nouvelles Brasseries ^{2,3}	Algeria	Associate	Brewing	40%	40%
Asian operations					
China Resources Snow Breweries Ltd ²	British Virgin Islands	Associate	Holding company for brewing subsidiaries located in China	49%	49%
Pacific Beverages (Pty) Ltd ²	Australia	Joint venture	Sales and distribution	50%	50%
South African operations					
Coca-Cola Canners of Southern Africa (Pty) Ltd ²	South Africa	Associate	Canning of beverages	32%	32%
Distell Group Ltd ^{4,6}	South Africa	Associate	Wines and spirits	29%	29%
Hotels and Gaming					
Tsogo Sun Holdings (Pty) Ltd ⁸	South Africa	Associate	Holding company for Hotels and Gaming operations	—	49%
Gold Reef Resorts Ltd ^{4,8}	South Africa	Associate	Holding company for Hotels and Gaming operations	40%	—

¹ SABMiller shares joint control of MillerCoors with Molson Coors Brewing Company under a shareholders' agreement. Voting interests are shared equally between SABMiller and Molson Coors, and each of SABMiller and Molson Coors has equal board representation. Under the agreement SABMiller has a 58% economic interest in MillerCoors and Molson Coors has a 42% economic interest.

² These entities report their financial results for each 12 month period ending 31 December.

³ Effective 18 March 2004, SABMiller acquired 25% of the Castel group's holding in these entities. Together with its 20% interest in the Castel group's African beverage interests, this gives SABMiller participation on a 40:60 basis with the Castel group.

⁴ Listed in country of incorporation.

⁵ Interests in these companies are held by SABMiller Africa BV which is held 62% by SABMiller Holdings Ltd.

⁶ These entities report their financial results for each 12 month period ending 30 June.

⁷ SABMiller acquired a 25% direct interest in this holding company on 18 March 2004 which has controlling interests in three breweries, a malting plant and a wet depot in Morocco. This 25% interest together with its 20% interest in the Castel group's African beverage interests, gives SABMiller an effective participation of 40% and the other 60% is held by the Castel group's Africa beverage interests.

⁸ On 24 February 2011, the Tsogo Sun Group merged with Gold Reef Resorts Ltd (GRR), a Johannesburg Stock Exchange listed business, through an all share merger. The transaction was effected through the acquisition by GRR of Tsogo Sun, and the group exchanged its entire 49% shareholding in Tsogo Sun for a 39.68% shareholding in the listed enlarged entity.

The principal country in which each of the above associated undertakings operates is the same as the country in which each is incorporated. However, Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd's (Castel) principal subsidiaries are in Africa and China Resources Snow Breweries Ltd's principal subsidiaries are in the People's Republic of China.

Statement of directors' responsibilities

in respect of the company financial statements

The directors are responsible for preparing the Annual Report, the remuneration report and the company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Companies Act 2006 requires directors to provide the company's auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report. Each of the directors, having made appropriate enquiries, confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

A copy of the financial statements of the company is placed on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of SABMiller plc

We have audited the company financial statements of SABMiller plc for the year ended 31 March 2011 which comprise the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the SABMiller plc Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the company financial statements are prepared is consistent with the company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of SABMiller plc for the year ended 31 March 2011.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 June 2011

Balance sheet of SABMiller plc at 31 March

	Notes	2011 US\$m	2010 US\$m
Fixed assets			
Tangible fixed assets	2	100	79
Investments in subsidiary undertakings	3	17,052	16,424
Derivative financial instruments	8	325	409
		17,477	16,912
Current assets			
Debtors	4	7,738	8,100
Derivative financial instruments	8	3	15
Short-term deposits	5	695	545
		8,436	8,660
Creditors – amounts falling due within one year	6	(2,654)	(2,084)
Net current assets		5,782	6,576
Total assets less current liabilities		23,259	23,488
Creditors – amounts falling due after more than one year	7	(8,927)	(9,842)
Net assets		14,332	13,646
Capital and reserves			
Share capital		166	165
Share premium		6,384	6,312
Merger relief reserve		4,586	4,586
Hedging reserve		2	(4)
Profit and loss reserve		3,194	2,587
Total shareholders' funds	9	14,332	13,646

The balance sheet was approved by the board of directors on 3 June 2011 and was signed on its behalf by:

Graham Mackay
Chief Executive

Malcolm Wyman
Chief Financial Officer

The notes on pages 156 to 165 form part of the financial statements.

Advantage has been taken of the provisions of section 408(3) of the Companies Act 2006 which permit the omission of a separate profit and loss account for SABMiller plc. The profit for the parent company for the year was US\$1,476 million (2010: US\$1,044 million).

Notes to the company financial statements

continued

1. Accounting policies

a) Statement of compliance

SABMiller plc (the company) is a public limited company incorporated in Great Britain and registered in England and Wales. The company financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments, in accordance with the Companies Act 2006 and with accounting standards applicable in the United Kingdom (UK GAAP). A summary of the significant company accounting policies is set out below.

The company has not presented a cash flow statement or provided details of certain related party transactions as permitted under FRS 1 (revised) 'Cash Flow Statements' and FRS 8 (Amendment) 'Related Party Disclosures' respectively. In addition, the company has also taken advantage of the exemption from providing financial instruments disclosures as permitted by FRS 29 (Amendment) 'Financial Instruments: Disclosure'.

b) Investments in subsidiary undertakings

These comprise investments in shares and loans that the directors intend to hold on a continuing basis in the company's business. The investments are stated at cost less provisions for impairment. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11.

c) Foreign currencies

The financial statements are presented in US dollars which is the company's functional and presentational currency.

The South African rand (ZAR) and British pound (GBP) exchange rates to the US dollar used in preparing the company financial statements were as follows:

	Weighted average rate		Closing rate	
	ZAR	GBP	ZAR	GBP
Year ended 31 March 2011	7.15	0.64	6.77	0.62
Year ended 31 March 2010	7.78	0.62	7.30	0.66

Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being included in operating profit, other than those arising on financial liabilities which are recorded within net finance costs.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. All other non-monetary items denominated in a foreign currency are translated at the rate of exchange ruling at the balance sheet date.

d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of accumulated depreciation and impairment losses.

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other tangible fixed assets, depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value of each asset, evenly over its expected useful life as follows:

Office equipment	2-30 years
Leasehold land and buildings	Shorter of the lease term or 50 years

The company regularly reviews its depreciation rates to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book value of the asset.

e) Impairment

In accordance with FRS 11 'Impairment of fixed assets and goodwill', fixed assets are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The review is performed by comparing the carrying value of the fixed asset to its recoverable amount, being the higher of the net realisable value and value in use. The net realisable value is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market based discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of fixed assets are written down by any impairment amount, the loss is recognised in the profit and loss account in the period in which it is incurred. Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the profit and loss account in the period in which it occurs and the carrying value of the asset is increased.

The increase in the carrying value of the asset will only be up to the amount that it would have been had the original impairment not occurred. For the purpose of conducting impairment reviews, income generating units are considered to be groups of assets and liabilities that generate income, and are largely independent of other income streams. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

f) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the company assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired. If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset. Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net interest payable over the life of the instrument.

1. Accounting policies continued

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are included in debtors in the balance sheet.

(ii) Cash and short-term deposits

Cash and short-term deposits include cash in hand, bank deposits repayable on demand, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within creditors – amounts falling due within one year.

(iii) Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and fixed assets and creditors on the face of the balance sheet, depending on when they are expected to mature. For derivatives that have not been designated to a hedging relationship, all fair value movements are recognised immediately in the profit and loss account. See note k for the company's accounting policy on hedge accounting.

(iv) Trade creditors

Trade creditors are initially recognised at fair value and subsequently measured at amortised cost.

Trade creditors are classified as creditors falling due within one year unless the company has an unconditional right to defer settlement for at least 12 months from the balance sheet date.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowings classified as hedged items are subject to hedge accounting requirements (see note k).

(vi) Financial guarantees

FRS 26 (Amendment) requires that issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, are to be initially recognised at their fair value and subsequently measured at the higher of the amount initially recognised less cumulative amortisation recognised and the amount determined in accordance with FRS 12 'Provisions, Contingent Liabilities and Contingent Assets'.

Financial guarantee contracts are defined in FRS 26 as contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

g) Revenue recognition

(i) Interest income

Interest income is recognised on an accruals basis using the effective interest method.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

i) Dividend distributions

In accordance with FRS 21, dividend distributions to equity holders are recognised as a liability in the financial statements of the company in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

j) Share-based compensation

The company operates several equity-settled share-based compensation schemes. These include share option plans (with and without non-market performance conditions attached), performance share award plans (with market conditions attached) and awards related to the employee element of the Broad-Based Black Economic Empowerment (BBBEE) scheme in South Africa. In addition the company has granted an equity-settled share-based payment to retailers in relation to the retailer component of the BBBEE scheme.

In accordance with FRS 20, an expense is recognised to spread the fair value at date of grant of each award granted after 7 November 2002 over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. A corresponding adjustment is made to equity over the remaining vesting period. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the fair value of the award at the date of grant, as calculated by binomial model calculations and Monte Carlo simulations.

The charge is not reversed if the options have not been exercised because the market value of the shares is lower than the option price at the date of grant. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised, unless the options are satisfied by treasury or EBT shares.

The issue by the company to employees of its subsidiaries of a grant over the company's shares represents additional capital contributions by the company to its subsidiaries, except to the extent the company is reimbursed. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued allocated over the underlying grant's vesting period.

Notes to the company financial statements

continued

1. Accounting policies continued

k) Hedge accounting

The derivative instruments used by the company, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the company in line with the company's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the company is required to document the relationship between the hedged item and the hedging instrument. The company is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is re-performed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

The company designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or hedges of highly probable forecast transactions or commitments (cash flow hedge).

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued and amounts previously recorded in equity are recycled to the income statement. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

Certain derivative instruments, whilst providing effective economic hedges under the company's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in the profit and loss account. The company does not hold or issue derivative financial instruments for speculative purposes.

(i) Fair value hedges

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the company's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the profit and loss account in the period incurred. Gains or losses on fair value hedges that are regarded as highly effective are recorded in the profit and loss account together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency and interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised as a separate component of equity. The ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

Details of the group's financial risk management objectives and policies are provided in note 23 to the consolidated financial statements of the group.

l) Operating leases

Rentals paid on operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

m) Pension obligations

The company operates a defined contribution scheme. Contributions to this scheme are charged to the profit and loss account as incurred.

2. Tangible fixed assets

	Assets in course of construction US\$m	Short leasehold land and buildings US\$m	Office equipment and software US\$m	Total US\$m
Cost				
At 1 April 2009	17	18	51	86
Additions	35	1	4	40
Transfers	(13)	–	13	–
At 31 March 2010	39	19	68	126
Additions	40	–	–	40
Transfers	(47)	5	42	–
At 31 March 2011	32	24	110	166
Accumulated depreciation				
At 1 April 2009	–	7	23	30
Depreciation	–	3	14	17
At 31 March 2010	–	10	37	47
Depreciation	–	3	16	19
At 31 March 2011	–	13	53	66
Net book amount				
At 1 April 2009	17	11	28	56
At 31 March 2010	39	9	31	79
At 31 March 2011	32	11	57	100

3. Investments in subsidiary undertakings

	Shares US\$m	Loans US\$m	Total US\$m
At 1 April 2009	7,801	3,825	11,626
Exchange adjustments	–	3	3
Additions	4,976	163	5,139
Capital contribution relating to share-based payments	31	–	31
Disposals	(11)	(364)	(375)
At 31 March 2010	12,797	3,627	16,424
Exchange adjustments	–	7	7
Additions	599	–	599
Capital contribution relating to share-based payments	184	–	184
Repayments	–	(162)	(162)
At 31 March 2011	13,580	3,472	17,052

Notes to the company financial statements

continued

3. Investments in subsidiary undertakings continued

The investments in subsidiary undertakings are as follows (all interests are 100% unless stated otherwise).

Name	Country of incorporation	Principal activity	2011 US\$m	2010 US\$m
SABMiller Holdings Ltd	United Kingdom	Group holding company	5,437	5,435
Miller Brands (UK) Ltd	United Kingdom	Sales and distribution	39	39
SAB Finance (Cayman Islands) Ltd	Cayman Islands	Finance company	–	–
Safari Ltd	Jersey	Finance company	–	–
SAB Holdings AG	Switzerland	Holding company	–	–
SABMiller Management BV	Netherlands	Group management services	90	–
SABMiller Africa & Asia BV ¹	Netherlands	Holding company	178	168
Appletiser International BV	Netherlands	Holding company	–	–
SABMiller Safari	United Kingdom	Finance company	506	506
Pilsner Urquell International BV	Netherlands	Holding company	–	–
SABMiller Holdings Europe Ltd	United Kingdom	Holding company	2,053	1,561
SABMiller Africa BV	Netherlands	Holding company	–	–
SABMiller Botswana BV	Netherlands	Holding company	–	–
SABMiller Asia Ltd	Hong Kong	Holding company	–	–
Racetrack Colombia Finance SA	Colombia	Finance company	–	–
SABMiller Poland BV	Netherlands	Holding company	4,976	4,976
SABMiller Horizon Ltd	United Kingdom	Agent company	–	–
SABSA Holdings (Pty) Ltd ²	South Africa	Holding company	5	–
			13,284	12,685
Capital contribution relating to share-based payments			296	112
			13,580	12,797

¹ 62% effective interest in ordinary share capital.

² SABMiller plc contributed ZAR36 million towards the cost of guarantee fee to SABSA Holdings (Pty) Ltd, a fellow group undertaking. It has no direct interest in the share capital of that company.

4. Debtors

	2011 US\$m	2010 US\$m
Amounts owed by subsidiary undertakings	7,624	7,976
Other debtors	114	124
	7,738	8,100

Included in the table above are debtors due after more than one year of US\$nil (2010: US\$0.5 million).

5. Short-term deposits

	2011 US\$m	2010 US\$m
Short-term deposits	695	545

The company has short-term deposits in euro (€) and US dollars (USD). The effective interest rates were € 0.88% and USD 1.04% (2010: USD 3.94%).

6. Creditors amounts falling due within one year

	2011 US\$m	2010 US\$m
Bank overdrafts	359	191
Bank loans	53	53
Commercial paper ¹	–	420
US\$600 million 6.2% Notes due 2011 ²	609	–
Amounts owed to subsidiary undertakings	1,432	1,264
Taxation and social security	20	26
Derivative financial instruments (see note 8)	80	72
Other creditors	13	9
Payroll-related creditors	28	8
Accruals and deferred income	58	40
Dividends payable to shareholders	2	1
	2,654	2,084

¹ In October 2006 SABMiller plc entered into a US\$1,000 million commercial paper programme for general corporate purposes.

² Further information relating to the notes is detailed in note 22 to the consolidated financial statements of the group.

7. Creditors amounts falling due after more than one year

	2011 US\$m	2010 US\$m
US\$1,100 million 5.5% Notes due 2013 ¹	1,116	1,119
€1,000 million 4.5% Notes due 2015 ²	1,417	1,365
US\$300 million 6.625% Notes due 2033 ²	361	352
US\$600 million 6.2% Notes due 2011 ²	–	608
US\$850 million 6.5% Notes due 2016 ²	943	939
US\$550 million 5.7% Notes due 2014 ²	594	591
US\$700 million 6.5% Notes due 2018 ²	759	747
PEN150 million 6.75% Notes due 2015 ²	53	53
US\$600 million multi-currency revolving credit facility (RCF) ²	–	250
€140 million revolving credit facility	99	132
Loans from subsidiary undertakings ³	3,560	3,620
Derivative financial instruments (see note 8)	14	62
Other creditors	4	–
Deferred income	7	4
	8,927	9,842

The maturity of creditors falling due after more than one year is as follows:		
Between 1 and 2 years	119	903
Between 2 and 5 years	6,764	6,902
After 5 years	2,044	2,037
	8,927	9,842

¹ On 30 June 2008 notes previously issued by Miller Brewing Company and guaranteed by SABMiller plc and SABMiller Finance BV were novated to SABMiller plc and the guarantee terminated. The notes mature on 15 August 2013. The notes are redeemable in whole or in part at any time at the option of the issuer at a redemption price equal to the make whole amount. The notes are redeemable in whole but not in part at the option of the issuer upon occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.

In addition, interest rate swaps to pay floating and receive fixed interest previously held by Miller Brewing Company have been novated to SABMiller plc which have been designated as fair value hedges to hedge exposure to changes in the fair value of the fixed rate borrowings. As a result, fair value gains or losses on the hedged borrowings have been recognised in SABMiller plc from the date the interest rate swaps were novated (which differs from the date of inception in the consolidated financial statements of the group).

² Further information relating to the RCF and the notes is detailed in note 22 to the consolidated financial statements of the group.

³ Loans from subsidiary undertakings are unsecured and bear interest at a rate of 6 month US\$ LIBOR or equivalent plus up to 600 basis points, depending upon the country where the company making the loan is located.

Fair value gains or losses on borrowings and derivative financial instruments held to hedge interest rate risk on borrowings are recognised in the profit and loss account (see note 8).

Notes to the company financial statements

continued

8. Derivative financial instruments

	Assets 2011 US\$m	Liabilities 2011 US\$m	Assets 2010 US\$m	Liabilities 2010 US\$m
Current derivative financial instruments				
Forward foreign currency contracts	1	(21)	1	(17)
Forward foreign currency contracts designated as cash flow hedges	2	–	–	–
Interest rate swaps designated as cash flow hedges	–	–	–	(4)
Cross currency swaps	–	(59)	14	(51)
	3	(80)	15	(72)
Non-current derivative financial instruments				
Interest rate swaps designated as fair value hedges	268	(4)	252	–
Cross currency swaps	57	(10)	157	(62)
	325	(14)	409	(62)

Derivatives designated as hedging instruments

(i) Cash flow hedges

The company has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exchange exposures to future creditor payments. As at 31 March 2011, the notional amounts of these contracts was GBP120 million.

Previously the company had entered into an interest rate swap designated as a cash flow hedge to manage the interest rate on borrowings (2010: carrying value of hedged borrowings US\$250 million). The interest rate swap matured on 15 September 2010. The fixed interest rate paid was 3.535% and the floating rate received was LIBOR plus zero bps.

(ii) Fair value hedges

The company has entered into interest rate swaps to pay floating and receive fixed interest which have been designated as fair value hedges to manage changes in the fair value of its fixed rate borrowings. The borrowings and interest rate swaps have the same critical terms.

As at 31 March 2011, the fixed interest rates received vary from 4.5% to 6.625% (2010: 4.5% to 6.625%) and floating interest rates paid vary from LIBOR/EURIBOR plus 71.6 bps to LIBOR/EURIBOR plus 198.8 bps (2010: LIBOR/EURIBOR plus 71.6 bps to LIBOR/EURIBOR plus 198.8 bps) on the notional amount. As at 31 March 2011, the carrying value of the hedged borrowings was US\$3,187 million (2010: US\$3,129 million).

Standalone derivative financial instruments

(i) Forward foreign currency contracts

The company has entered into several forward foreign currency contracts to manage the group's exposure to foreign exchange risk on the investment in subsidiaries in South Africa, the Czech Republic, the Netherlands, the United Kingdom and Russia.

(ii) Cross currency swaps

The company has entered into several cross currency swaps to manage the group's exposure to foreign exchange risk relating to subsidiaries in South Africa, Poland, the Czech Republic, the Netherlands, Russia and Colombia.

Analysis of notional amounts on all outstanding financial instruments held by the company is as follows.

	2011 m	2010 m
Forward foreign currency contracts		
– SA rand	1,525	1,703
– Czech koruna	5,500	5,500
– Euro	21	–
– Pound sterling	125	–
– Russian rouble	2,530	–
Interest rate swaps		
– Fair value hedges		
– US dollar	2,225	2,225
– Euro	500	500
– Cash flow hedges		
– US dollar	–	250
Cross currency swaps		
– SA rand	2,799	2,799
– Polish zloty	1,092	1,092
– Czech koruna	2,258	2,258
– Euro	317	608
– Russian rouble	1,400	2,900
– Colombian peso	–	272,220

8. Derivative financial instruments continued

Fair values of financial assets and financial liabilities

	Book value 2011 US\$m	Fair value 2011 US\$m	Book value 2010 US\$m	Fair value 2010 US\$m
Current borrowings	1,021	1,021	664	664
Non-current borrowings	8,902	9,398	9,776	10,336

Derivatives, cash and cash equivalents, short-term deposits, debtors and creditors (excluding borrowings) are not included in the table above because their book values are an approximation of their fair values. The fair value of the company's fixed rate loans are calculated by discounting expected future cash flows using the appropriate yield curve. The book values of floating rate borrowings approximate to their fair value.

Fair value loss on financial instruments recognised in the profit and loss account

	2011 US\$m	2010 US\$m
Derivative financial instruments:		
Forward foreign currency contracts	(53)	(91)
Interest rate swaps designated as cash flow hedges	1	–
Interest rate swaps designated as fair value hedges	13	(134)
Cross currency swaps	(71)	(238)
	(110)	(463)
Other financial instruments:		
Non-current borrowings designated as the hedged item in a fair value hedge	(14)	118
Total fair value loss on financial instruments recognised in the profit and loss account	(124)	(345)

9. Reconciliation of movements in shareholders' funds

	Share capital US\$m	Share premium US\$m	Merger relief US\$m	Hedging reserve US\$m	EBT US\$m	Treasury shares US\$m	Profit and loss account US\$m	Total US\$m
At 1 April 2009	159	6,198	3,395	(10)	(104)	(1,178)	3,677	12,137
Issue of share capital	6	114	1,191	–	–	–	–	1,311
Profit for the year	–	–	–	–	–	–	1,044	1,044
Dividends paid	–	–	–	–	–	–	(924)	(924)
Cash flow hedges – fair value gains	–	–	–	6	–	–	–	6
Purchase of own shares	–	–	–	–	(8)	–	–	(8)
Transfer to EBT	–	–	–	–	(81)	81	–	–
Utilisation of EBT shares	–	–	–	–	48	–	(48)	–
Credit entry relating to share-based payments	–	–	–	–	–	–	49	49
Capital contribution relating to share-based payments	–	–	–	–	–	–	31	31
At 31 March 2010	165	6,312	4,586	(4)	(145)	(1,097)	3,829	13,646
Issue of share capital	1	72	–	–	–	–	–	73
Profit for the year	–	–	–	–	–	–	1,476	1,476
Dividends paid	–	–	–	–	–	–	(1,115)	(1,115)
Cash flow hedges – fair value gains	–	–	–	6	–	–	–	6
Utilisation of EBT shares	–	–	–	–	21	–	(21)	–
Credit entry relating to share-based payments	–	–	–	–	–	–	62	62
Capital contribution relating to share-based payments	–	–	–	–	–	–	184	184
At 31 March 2011	166	6,384	4,586	2	(124)	(1,097)	4,415	14,332

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under FRS 26, were losses of US\$48 million (2010: US\$45 million).

During the year no shares were transferred into EBT reserve (2010: 5.3 million treasury shares with an original cost to the company of US\$81 million).

The US\$1,191 million increase in the merger relief reserve in the year ended 31 March 2010 related to the merger relief arising on the issue of SABMiller plc ordinary shares for the buyout of non-controlling interests in the group's Polish business.

Further information relating to the share capital, share premium, the treasury shares and the EBT reserve of the company is detailed in notes 26 and 27 to the consolidated financial statements of the group. Details of share incentive schemes are provided in note 26 to the consolidated financial statements of the group. Details of dividends paid and proposed for the year are provided in note 9 to the consolidated financial statements of the group.

Notes to the company financial statements

continued

10. Profit and loss information

Employees

Employee costs recognised in profit and loss during the year were as follows.

	2011 US\$m	2010 US\$m
Wages and salaries	74	66
Share-based payments	29	24
Social security costs	8	9
Other pension costs	6	6
	117	105

Further information relating to share-based incentive schemes is provided in note 26 to the consolidated financial statements of the group.

Information relating to directors' remuneration is included in the remuneration report on pages 65 to 75.

Details of key management remuneration are provided in note 6 to the consolidated financial statements of the group.

The average monthly number of employees for the year is shown on a full-time equivalent basis and includes executive directors.

	2011	2010
Number of employees	357	314

Details of auditors' remuneration are provided in note 3 to the consolidated financial statements of the group.

Operating leases

Operating lease charges recognised in the profit and loss during the year were as follows.

	2011 US\$m	2010 US\$m
Plant and machinery	5	3
Other	7	7

11. Other information

Deferred tax assets have not been recognised in respect of the following.

	2011 US\$m	2010 US\$m
Tax losses	48	21
Capital allowances in excess of depreciation	10	12
Accruals and provisions	1	1
Share-based payments	29	17
Cash flow hedges	–	1
	88	52

	2011 US\$m	2010 US\$m
Capital expenditure contracted but not provided	7	5

The company has guaranteed borrowings in respect of certain subsidiary undertakings. Guarantee fees received from 100% owned subsidiaries were US\$8 million (2010: US\$1 million). Refer to note 12 for guarantee fees paid to related parties.

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as follows.

	2011 US\$m	2010 US\$m
Land and buildings:		
Between two and five years	2	2
After five years	5	4
Other		
Between two and five years	2	2

12. Related party transactions

The company has taken advantage of the exemption provided under FRS 8 not to disclose transactions with subsidiaries which are wholly owned. During the year the company had transactions with related parties as follows.

	2011 US\$m	2010 US\$m
Interest received from subsidiaries	2	1
Income from recharges to subsidiaries ¹	76	43
Management and guarantee fees paid ²	(1)	(1)

¹ The company received income from recharges related to business capability programme costs.

² The company paid guarantee fees to SABMiller Africa BV during the year (2010: management and guarantee fees to the group's joint venture MillerCoors).

	2011 US\$m	2010 US\$m
Amounts owed by subsidiaries	39	38
Amounts owed to subsidiaries	(6)	(2)
Loans to subsidiaries	60	30
Loans from subsidiaries	(36)	(56)

13. Post balance sheet events

In April 2011 the company entered into a five-year US\$2,500 million committed syndicated facility, with the option of two one-year extensions. This facility replaced the existing US\$2,000 million and US\$600 million committed syndicated facilities which were voluntarily cancelled.

Five-year financial review

for the years ended 31 March

	2011 US\$m	2010 ¹ US\$m	2009 US\$m	2008 US\$m	2007 US\$m
Income statements					
Group revenue	28,311	26,350	25,302	23,828	20,645
Revenue	19,408	18,020	18,703	21,410	18,620
Operating profit	3,127	2,619	3,148	3,448	3,027
Net finance costs	(525)	(563)	(706)	(456)	(428)
Share of associates' and joint ventures' post-tax results	1,024	873	516	272	205
Taxation	(1,069)	(848)	(801)	(976)	(921)
Non-controlling interests	(149)	(171)	(276)	(265)	(234)
Profit for the year attributable to equity shareholders	2,408	1,910	1,881	2,023	1,649
Adjusted earnings	3,018	2,509	2,065	2,147	1,796
Balance sheets					
Non-current assets	34,864	33,604	28,156	31,947	25,683
Current assets	4,178	3,895	3,472	4,135	3,053
Assets of disposal group classified as held for sale	66	–	–	–	–
Total assets	39,108	37,499	31,628	36,082	28,736
Derivative financial instruments	(135)	(321)	(142)	(531)	(209)
Borrowings	(8,460)	(9,414)	(9,618)	(9,658)	(7,231)
Other liabilities and provisions	(7,688)	(7,171)	(5,751)	(7,649)	(6,295)
Liabilities of disposal group classified as held for sale	(66)	–	–	–	–
Total liabilities	(16,349)	(16,906)	(15,511)	(17,838)	(13,735)
Net assets	22,759	20,593	16,117	18,244	15,001
Total shareholders' equity	22,008	19,910	15,376	17,545	14,406
Non-controlling interests in equity	751	683	741	699	595
Total equity	22,759	20,593	16,117	18,244	15,001
Cash flow statements					
Adjusted EBITDA	5,617	5,020	4,667	4,537	4,068
EBITDA	4,502	3,974	4,164	4,518	4,031
Net working capital movements	66	563	(493)	(242)	(13)
Net cash generated from operations	4,568	4,537	3,671	4,276	4,018
Net interest paid	(640)	(640)	(722)	(502)	(488)
Tax paid	(885)	(620)	(766)	(969)	(801)
Net cash inflow from operating activities	3,043	3,277	2,183	2,805	2,729
Net capital expenditure and other investments	(1,245)	(1,483)	(2,082)	(1,922)	(1,353)
Net investments in subsidiaries, joint ventures and associates	(183)	(504)	(533)	(1,390)	(229)
Dividends received from joint ventures, associates and other investments	911	815	606	92	103
Net cash inflow/(outflow) before financing and dividends	2,526	2,105	174	(415)	1,250
Net cash (outflow)/inflow from financing	(1,214)	(804)	615	1,191	(655)
Dividends paid to shareholders of the parent	(1,113)	(924)	(877)	(769)	(681)
Effect of exchange rates	25	90	22	(113)	(18)
Increase/(decrease) in cash and cash equivalents	224	467	(66)	(106)	(104)
Per share information (US cents per share)					
Basic earnings per share	152.8	122.6	125.2	134.9	110.2
Diluted earnings per share	151.8	122.1	124.6	134.2	109.5
Adjusted basic earnings per share	191.5	161.1	137.5	143.1	120.0
Net asset value per share ²	1,326.6	1,203.2	969.9	1,108.3	912.0
Total number of shares in issue (millions)	1,659.0	1,654.7	1,585.4	1,583.1	1,579.6
Other operating and financial statistics					
Return on equity (%) ³	13.7	12.6	13.4	12.2	12.5
EBITA margin (%)	17.8	16.6	16.3	17.4	17.4
Adjusted EBITDA margin (%)	22.9	21.7	20.9	21.2	21.8
Interest cover (times)	10.8	9.3	6.7	9.2	9.5
Free cash flow (US\$m)	2,488	2,028	106	594	1,153
Total borrowings to total assets (%)	21.6	25.1	30.4	26.8	25.2
Cash flow to total borrowings (%)	54.0	48.2	38.2	44.3	55.6
Revenue per employee (US\$000's)	280.4	256.9	272.5	309.8	278.1
Average monthly number of employees	69,212	70,131	68,635	69,116	66,949

¹ Restated for the adjustments made to the provisional fair values relating to the maheu and Rwenzori acquisitions.

² Net asset value per share is calculated by expressing shareholders' equity as a percentage of the closing number of shares in issue.

³ This is calculated by expressing adjusted earnings as a percentage of total shareholders' equity.

	2011 US\$m	2010 US\$m	2009 US\$m	2008 US\$m	2007 US\$m
Group revenue					
Segmental analysis					
Latin America	6,335	5,905	5,495	5,251	4,392
Europe	5,394	5,577	6,145	5,248	4,078
North America	5,223	5,228	5,227	5,120	4,887
Africa	3,254	2,716	2,567	n/a	n/a
Asia	2,026	1,741	1,565	n/a	n/a
Africa and Asia	5,280	4,457	4,132	3,367	2,674
South Africa:					
– Beverages	5,598	4,777	3,955	4,446	4,274
– Hotels and Gaming	481	406	348	396	340
Group	28,311	26,350	25,302	23,828	20,645
Operating profit (excluding share of associates and joint ventures)					
Segmental analysis					
Latin America	1,497	1,270	1,057	953	810
Europe	857	840	900	947	730
North America	16	12	230	462	366
Africa	365	316	354	n/a	n/a
Asia	(22)	(34)	(2)	n/a	n/a
Africa and Asia	343	282	352	330	272
South Africa: Beverages	997	826	704	962	1,043
Corporate	(147)	(139)	(97)	(94)	(101)
Group operating profit – before exceptional items	3,563	3,091	3,146	3,560	3,120
Exceptional (charge)/credit					
Latin America	(106)	(156)	45	(61)	(64)
Europe	(261)	(202)	(452)	–	(24)
North America	–	–	409	(51)	–
Africa	(4)	(3)	–	n/a	n/a
Asia	–	–	–	n/a	n/a
Africa and Asia	(4)	(3)	–	–	–
South Africa: Beverages	(188)	(53)	–	–	–
Corporate	123	(58)	–	–	(5)
	(436)	(472)	2	(112)	(93)
Group operating profit – after exceptional items	3,127	2,619	3,148	3,448	3,027
EBITA					
Segmental analysis					
Latin America	1,620	1,386	1,173	1,071	915
Europe	887	872	944	952	733
North America	741	619	581	477	375
Africa	647	565	562	n/a	n/a
Asia	92	71	80	n/a	n/a
Africa and Asia	739	636	642	568	467
South Africa:					
– Beverages	1,067	885	764	1,026	1,102
– Hotels and Gaming	137	122	122	141	100
Corporate	(147)	(139)	(97)	(94)	(101)
Group	5,044	4,381	4,129	4,141	3,591

Definitions

Financial definitions

Adjusted earnings

Adjusted earnings are calculated by adjusting headline earnings (as defined below) for the amortisation of intangible assets (excluding software), integration and restructuring costs, the fair value movements in relation to capital items for which hedge accounting cannot be applied and other items which have been treated as exceptional but not included above or as headline earnings adjustments together with the group's share of joint ventures' and associates' adjustments for similar items. The tax and non-controlling interests in respect of these items are also adjusted.

Adjusted EBITDA

This comprises EBITDA (as defined below) before cash flows from exceptional items and includes dividends received from our joint venture, MillerCoors. Dividends received from MillerCoors approximate to the group's share of the EBITDA of the MillerCoors joint venture.

Adjusted EBITDA margin

This is calculated by expressing adjusted EBITDA as a percentage of revenue plus the group's share of MillerCoors' revenue.

Adjusted net finance costs

This comprises net finance costs excluding fair value movements in relation to capital items for which hedge accounting cannot be applied and any exceptional finance charges or income.

Adjusted profit before tax

This comprises EBITA less adjusted net finance costs and less the group's share of associates' and joint ventures' net finance costs on a similar basis.

Constant currency

Constant currency results have been determined by translating the local currency denominated results for the year ended 31 March at the exchange rates for the prior year.

EBITA

This comprises operating profit before exceptional items, amortisation of intangible assets (excluding software) and includes the group's share of associates' and joint ventures' operating profit on a similar basis.

EBITA margin (%)

This is calculated by expressing EBITA as a percentage of group revenue.

EBITDA

This comprises the net cash generated from operations before working capital movements. This includes cash flows relating to exceptional items incurred in the year.

EBITDA margin (%)

This is calculated by expressing EBITDA as a percentage of revenue.

Effective tax rate (%)

The effective tax rate is calculated by expressing tax before tax on exceptional items and on amortisation of intangible assets (excluding software), including the group's share of associates' and joint ventures' tax on the same basis, as a percentage of adjusted profit before tax.

Free cash flow

This comprises net cash generated from operating activities less cash paid for the purchase of property, plant and equipment, and intangible assets, net investments in existing associates and joint ventures (in both cases only where there is no change in the group's effective ownership percentage) and dividends paid to non-controlling interests plus cash received from the sale of property, plant and equipment and intangible assets and dividends received.

The definition of free cash flow has been refined to exclude the purchase of shares from non-controlling interests and net investments in associates and joint ventures which result in a change in the group's effective ownership percentage, as these are deemed to be discretionary expenditure. Comparatives have been restated accordingly.

Group revenue

This comprises revenue together with the group's share of revenue from associates and joint ventures.

Headline earnings

Headline earnings are calculated by adjusting profit for the financial period attributable to equity holders of the parent for items in accordance with the South African Circular 3/2009 entitled 'Headline Earnings'. Such items include impairments of non-current assets and profits or losses on disposals of non-current assets and their related tax and non-controlling interests. This also includes the group's share of associates' and joint ventures' adjustments on the same basis.

Interest cover

This is the ratio of adjusted EBITDA to adjusted net finance costs.

Net debt

This comprises gross debt (including borrowings, borrowings-related derivative financial instruments, overdrafts and finance leases) net of cash and cash equivalents (excluding overdrafts).

Organic information

Organic results and volumes exclude the first 12 months' results and volumes relating to acquisitions and the last 12 months' results and volumes relating to disposals.

Total Shareholder Return (TSR)

TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends.

Sales volumes

In the determination and disclosure of sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries and its equity accounted percentage of all associates' and joint ventures' volumes. Contract brewing volumes are excluded from volumes although revenue from contract brewing is included within group revenue. Volumes exclude intra-group sales volumes. This measure of volumes is used for lager volumes, soft drinks volumes, other alcoholic beverage volumes and beverage volumes and is used in the segmental analyses as it more closely aligns with the consolidated group revenue and EBITA disclosures.

In the determination and disclosure of aggregated sales volumes, the group aggregates 100% of the volumes of all consolidated subsidiaries, associated companies and joint ventures. Contract brewing volumes are excluded from aggregated volumes although revenue from contract brewing is included within group revenue. Aggregated volumes exclude intra-group sales volumes. This measure is used for aggregated beverage volumes and for aggregated lager volumes.

KPI definitions – How we measure

Total Shareholder Return (TSR) versus median of peer group over three-year periods

TSR performance is measured by taking the percentage growth in our TSR over the three-year period to the date aligned with the related measurement date of performance share awards for the excom, and deducting the percentage growth in the TSR of the median of our peer group over the same period.

Growth in adjusted earnings per share (EPS)

Growth in adjusted EPS is measured by comparing the adjusted EPS for the current year with that of the prior year. Adjusted EPS is measured using adjusted earnings divided by the basic number of shares in issue. Adjusted earnings are measured using the definition on page 168.

Free cash flow

Free cash flow is measured using the definition on page 168.

Proportion of our total lager volume from markets in which we have No. 1 or No. 2 national market share positions

Lager volumes generated in markets where we have a number one or number two national beer market share position divided by total lager volumes. Lager volumes are measured as defined on page 168.

Proportion of group EBITA from developing and emerging economies

EBITA generated in developing and emerging economies divided by group EBITA before corporate costs. EBITA is defined on page 168. Developing and emerging economies are as defined by the International Monetary Fund (IMF).

Organic growth in lager volumes

Organic growth in lager volumes is measured by comparing lager volumes in the year with those in the prior year excluding the effects of acquisitions and disposals (organic information is defined on page 168). Lager volumes are measured as defined on page 168.

Group revenue growth (organic, constant currency)

Growth in group revenue compared to the prior year is measured on a constant currency basis (as defined on page 168) and excluding the effects of acquisitions and disposals (organic information is defined on page 168). Group revenue is defined on page 168.

Revenue growth in premium brands (constant currency)

Growth in revenue from sales of premium brands compared to the prior year is measured on a constant currency basis (as defined on page 168). Premium brands are those in the premium segment as defined on this page.

EBITA growth (organic, constant currency)

EBITA growth compared to the prior year is measured on a constant currency basis (as defined on page 168) and excluding the effects of acquisitions and disposals (organic information is defined on page 168). EBITA is defined on page 168.

EBITA margin

EBITA margin is defined on page 168.

Hectolitres of water used at our breweries per hectolitre of lager produced

Water used at our breweries divided by the volume of lager produced. All consolidated subsidiaries are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Fossil fuel emissions from energy used at our breweries per hectolitre of lager produced

Fossil fuel emissions are measured by the total amount of carbon dioxide (CO₂) in kilograms generated by our breweries divided by the volume of lager produced. The total amount of CO₂ is the sum

of direct emissions produced by the combustion of fuel (e.g. coal, oil, gas) and indirect emissions from the use of electricity and steam. Emissions are calculated using the internationally recognised WRI/WBCSD Greenhouse Gas Protocol. All consolidated businesses are included on a 100% basis together with the equity accounted percentage share of the MillerCoors joint venture.

Cumulative financial benefits from our business capability programme

Incremental cash flows generated as a result of the adoption of new processes and systems including incremental revenues, reduced cost of goods sold and overheads, reduced investment in working capital and lower cost of capital investments.

KPI explanation of changes

As noted in the prior year's Annual Report, the reporting of premium and international premium brand performance was under review and no group KPI was reported. Following the review a new KPI has been introduced and is presented in this Annual Report, which measures the growth in revenue from all premium brands, both local and global.

There have been minor changes to the free cash flow definition as described in the definition on page 168. The historical data for the fossil fuel emissions KPI have been restated to reflect changes in our reporting protocol and developing best practice disclosure of greenhouse gas emissions.

Non-financial definitions

Combined Code

The Combined Code on Corporate Governance, published by the UK Financial Reporting Council.

Economy segment

Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which fall below an index of 90 form the economy segment. Normally, all brands in this segment will be local brands.

International brewers index

The index of international brewers charts the share price progression of the company's closest peers in the global brewing industry – Anheuser-Busch InBev (Anheuser-Busch and InBev included separately, until the acquisition of Anheuser-Busch by InBev on 17 November 2008), Carlsberg, Heineken and Molson Coors, relative to 1 April 2008. The index is weighted relative to the market capitalisation of the brewers as at 1 April 2008.

Mainstream segment

Taking the leading brand in the most popular pack type as the standard (=100), the mainstream segment is formed of brands with a weighted average market price which fall into the 90-109 band. Mainstream brands tend to be local.

PET

PET is short for polyethylene terephthalate, a form of plastic which is used for bottling alcoholic and non-alcoholic drinks.

Premium segment (worthmore segment in the USA)

Taking the leading brand in the most popular pack type as the standard (=100), brands with a weighted average market price which have an index of 110+ form the premium segment. The premium segment comprises both local, regional and global brands.

STRATE

STRATE stands for Share Transactions Totally Electronic and is an unlisted company owned by JSE Limited and Central Securities Depository Participants (CSDP) and exists to allow share transactions in South Africa to be settled electronically.

Ordinary shareholding analyses

Listed below are analyses of holdings extracted from the register of ordinary shareholders as at year end:

	Number of shareholders	Percentage of share capital
Portfolio size		
1 – 1,000	35,656	0.66
1,001 – 10,000	8,145	1.49
10,001 – 100,000	1,454	3.06
100,001 – 1,000,000	596	11.87
1,000,001 and over	139	82.92
	45,990	100.00
Category		
Banks	199	2.98
Endowment Funds	372	0.25
Individuals	32,415	1.62
Insurance Companies	94	1.53
Investment Companies	68	0.43
Medical Aid Schemes	40	0.06
Mutual Funds	490	6.56
Nominees & Trusts	10,254	50.03
Other Corporate Entities	1,484	27.57
Pension Funds	574	8.97
	45,990	100.00

Substantial shareholdings

As at 2 June 2011, we had received the following notifications of interests in voting rights of the issued share capital of the company pursuant to Rule 5.1.2 of the Disclosure and Transparency Rules:

	Date of notification	Number of shares	Percentage of issued share capital
Altria Group, Inc.	29 May 2009	430,000,000	27.39
BevCo Ltd	20 March 2007	225,000,000	14.98
Public Investment Corporation	13 January 2009	67,663,248	4.49
Kulczyk Holding S.A.	29 May 2009	60,000,000	3.82

The Companies Act requires disclosure of persons with significant direct or indirect holdings of securities as at the year end. At the year end we were aware of the following shareholdings:

	Percentage of issued share capital
Altria Group, Inc.	27.10
BevCo Ltd	14.18
Public Investment Corporation	5.12
Allan Gray Investment Council	4.97
Blackrock Inc	3.07
Kulczyk Holding S.A.	3.02

Shareholders' diary

Financial reporting calendar and annual general meeting

Interim management statement and annual general meeting	July 2011
Announcement of interim results, for half-year to September	November 2011
Interim management statement	January 2012
Preliminary announcement of annual results	May 2012
Annual financial statements published	June 2012

Dividends	Declared	Paid
Ordinary:		
Interim	November	December
Final	May	August

Unsolicited investment advice – warning to shareholders

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. A 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors was around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free reports into the company.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register/home.do.
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered.
- Report the matter to the FSA either by calling 0845 6061234 or by completing an online form at: <http://www.fsa.gov.uk/Pages/Doing/Regulated/Law/Alerts/form.shtml>.

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.

South African shareholders may report such approaches to the Financial Services Board (FSB) on:

Toll Free: 0800 110443
Facsimile: 012 347 0221
Email: info@fsb.co.za

Complete the FSB online complaint form which can be found on their website www.fsb.co.za.

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This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire ordinary shares in the capital of SABMiller plc (the 'company') or any other securities of the company in any jurisdiction or an inducement to enter into investment activity.

This document is intended to provide information to shareholders. It should not be relied upon by any other party or for any other purpose. This document includes 'forward-looking statements' with respect to certain of SABMiller plc's plans, current goals and expectations relating to its future financial condition, performance and results. These statements contain the words 'anticipate', 'believe', 'intend', 'estimate', 'expect' and words of similar meaning. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the company's products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the company's present and future business strategies and the environment in which the company will operate in the future. These forward-looking statements speak only as at the date of this document. The company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The past business and financial performance of SABMiller plc is not to be relied on as an indication of its future performance.

The paper used in the report contains 75% recycled content, of which 50% is de-inked post consumer and 25% is pre-consumer. All of the pulp is bleached using an elemental chlorine free process (ECF). Printed in the UK by PurePrint using their *pureprint*® and *alcofree*® environmental printing technology, and vegetable inks were used throughout. PurePrint is a CarbonNeutral® company. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.



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