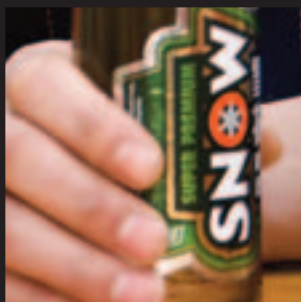
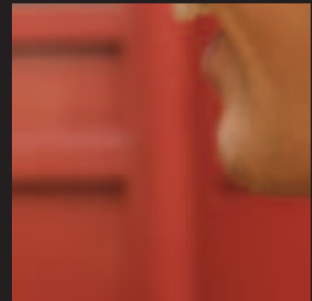
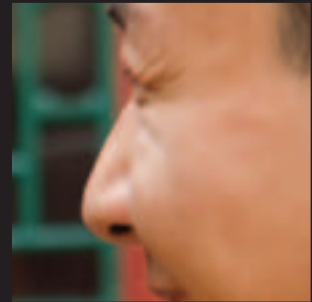




# Annual Report

SABMiller plc Annual Report 2008



# About SABMiller plc

One of the world's largest brewers, SABMiller has brewing interests and distribution agreements across six continents. Our wide portfolio of brands includes premium international beers such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch along with market-leading local brands such as Aguila, Castle, Miller Lite, Snow and Tyskie. Six of our brands are among the top 50 in the world. We are also one of the world's largest bottlers of Coca-Cola products.

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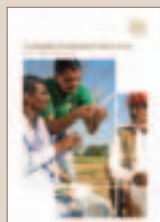
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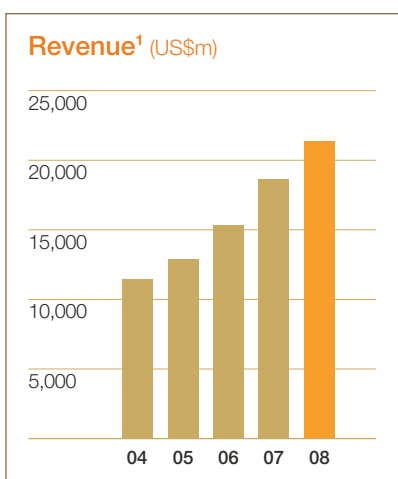
*Front cover photograph: SABMiller associate, CR Snow, is China's largest brewer and the Snow brand is China's leading beer brand.*



For more information, or to download our Sustainable Development Report 2008, please go to [SABMiller.com](http://SABMiller.com)

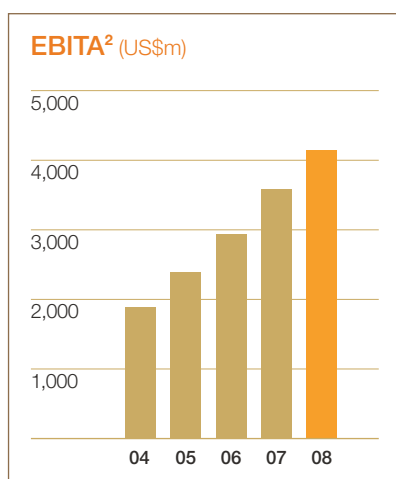
# Our performance

- Group lager volumes up 11% to 239 million hectolitres (hl), organic growth of 7%
- EBITA up 15%, and 9% on an organic constant currency basis despite rising input costs
- Mix benefits and strong pricing improve Miller EBITA in the USA
- Volume, price and productivity gains drive excellent earnings growth in Europe – EBITA up 30%
- Latin America lager volume growth of 5% despite exceptional prior year – EBITA up 17%
- Africa lager volumes up 6% organically – substantial investment programme to capture growth opportunities
- CR Snow volume growth continues ahead of the China market – Snow brand up 63%
- South Africa lager volumes level – a satisfactory result given loss of a premium brand



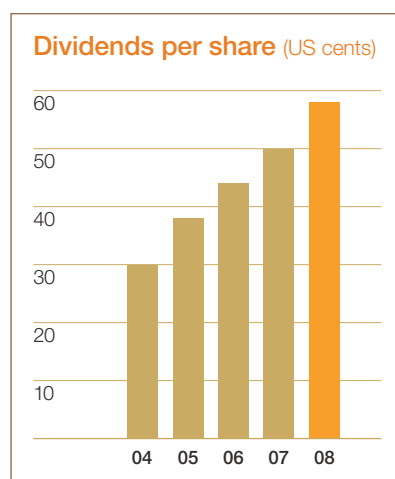
**+15%**

2008: US \$21,410m  
2007: US \$18,620m



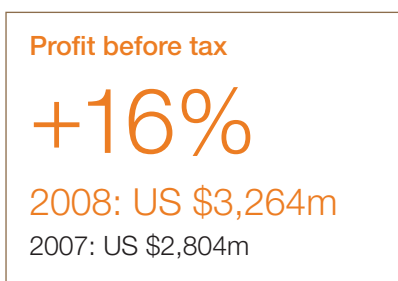
**+15%**

2008: US \$4,141m  
2007: US \$3,591m



**+16%**

2008: US cents 58.0<sup>4</sup>  
2007: US cents 50.0



<sup>1</sup> Revenue excludes the attributable share of associates' revenue of US\$2,418 million (2007: US\$2,025 million).

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

<sup>3</sup> Reconciliation of adjusted earnings to the statutory measure of profit attributable to equity shareholders is provided in note 8.

<sup>4</sup> Subject to shareholder approval of final dividend at AGM.

# The group at a glance

Over the past 20 years we have grown rapidly from our original South African base into a global operation, developing a balanced and attractive portfolio of businesses. Our markets range from developed economies such as the USA to fast-growing developing markets such as China and India.

[www.sabmiller.com](http://www.sabmiller.com)

## Key highlights

200

More than 200 brands owned

139

Total number of breweries

69,116

Total average number of employees\*

239 million

Total volume of lager sold\*\* (hectolitres)

## Latin America



Our primary brewing and beverage operations cover six countries. These are Colombia, El Salvador, Ecuador, Honduras, Panama and Peru. We are the number one brewer, in terms of market share, in each of these countries.

We bottle soft drinks for The Coca-Cola Company in El Salvador and Honduras and for Pepsico International in Panama and Bolivia. In 2007 we entered the Puerto Rico market with our international premium beer brands.

25%

Contribution to group EBITA 2008

17

Total number of breweries

16

Total number of bottling plants

25,389\*

Total average number of employees

Top selling brands



Key local lager brands include:

Aguila; Atlas; Balboa; Barena; Cristal; Club; Club Colombia; Costeña; Cusqueña; Pilsen Callao; Golden Light; Pilsen; Poker; Pilsener; Port Royal and Salva Vida

For more information see pages 24-25

## Europe



Our primary brewing operations cover nine countries. These are the Canary Islands (Spain), Czech Republic, Hungary, Italy, Poland, Romania, Russia, Slovakia and The Netherlands. In the majority of these countries we are the number one or two brewer.

We also have significant import businesses in the UK and Germany where we import our international premium brands.

23%

Contribution to group EBITA 2008

21

Total number of breweries

12,921\*

Total average number of employees

Top selling brands



Key local lager brands include:

Arany Aszok; Dębowe Mocne; Dorada; Dreher; Gambirinus; Grolsch; Kozel; Lech; Nastro Azzurro; Pilsner Urquell; Peroni; Šariš; Radegast; Timisoreana Lux; Topvar; Tropical; Tyskie; Ursus; Zolotaya Bochka and Zubr

For more information see pages 25-26

\* See note 6 to the Consolidated Financial Statements.

\*\* Volumes are defined in the 'Definitions' section on page 148.

## North America



Miller Brewing Company is the second largest brewer in the US market – the beer market with the world’s biggest profit pool. Through more than 150 years of innovation and brewing excellence, Miller has built a portfolio of award-winning beers. Miller Chill, one of its newest brands, was the most successful new product introduction in the US beer industry last year.

Miller has licensed production in Canada and distribution in Mexico.

11%

Contribution to group EBITA 2008

8

Total number of breweries

5,991\*

Total average number of employees

Top selling brands



**Key local lager brands include:**

Miller Lite; Miller Chill, Miller Genuine Draft; Miller High Life; Milwaukee’s Best and Leinenkugel’s

For more information see pages 26-27

## Africa and Asia



In Africa, our primary brewing and beverage operations cover 31 countries and we are the number one brewer in terms of market share in most of these countries. In 12 of these countries we have management control, while in the others we have a strategic alliance with Castel and a minority shareholding in Kenya and Zimbabwe. We bottle soft drinks for The Coca-Cola Company in 20 of our African markets.

CR Snow, our partnership with China Resources Enterprise Limited, is the largest brewer by volume in China, and we are the second largest brewer in India. We have a joint venture in Vietnam with Vinamilk and we also sell our premium brands in Australia through a joint venture with Coca-Cola Amatil.

14%

Contribution to group EBITA 2008

86

Total number of breweries

12

Total number of bottling plants

12,806\*

Total average number of employees

Top selling brands



**Key local lager brands include:**

2M; Castle Lager; Castle Milk Stout; Chibuku (sorghum); Club; Club Pilsner; Eagle (clear sorghum); Foster’s; Haywards; Laurentina; Kilimanjaro; Manica; Mosi; Nduvo; N’gola; Nile Special; Royal Challenge; Safari; Snow; Stone; St Louis and Zorok

For more information see pages 27-28

## South Africa



The South African Breweries Ltd (SAB Ltd) is our original brewing company. Founded in 1895, SAB Ltd has since become one of South Africa’s leading companies as well as Africa’s largest brewer. The soft drinks division of SAB Ltd is South Africa’s largest producer of products for The Coca-Cola Company.

SABMiller has hotel and gaming interests through the Tsogo Sun Group, one of the largest hotel and gaming groups in South Africa. The group was created in 2003 when SABMiller and Tsogo Investments merged their activities. At the time, it was the largest empowerment transaction in the sector and SABMiller holds a 49% interest in the group.

27%

Contribution to group EBITA 2008

7

Total number of breweries

7

Total number of bottling plants

11,749\*

Total average number of employees

Top selling brands



**Key local brands include:**

Carling Black Label; Castle Lager; Castle Lite; Castle Milk Stout; Hansa Marzen Gold; Hansa Pilsener; Redd’s; Brutal Fruit; Sarita and Skelter’s Straight

For more information see pages 28-29

# Chairman's statement

The fact that we've been able to deliver such a good performance is testament to the strength of our brands and the group's operational capability.



Meyer Kahn, Chairman

## Dear Shareholder:

This strong out-turn to the year is particularly pleasing given the scale of the challenge we faced at its outset, with exceptional prior-year comparatives, rising input costs and an increasingly competitive environment in many of our markets. It is a clear testament to the strength of our brands and the group's operational capability that we have been able to deliver such a good performance.

In the event, total beverage volumes grew 6% to 288 million hectolitres and earnings before interest, tax and amortisation (EBITA) increased by 15% to US\$4.1 billion, translating into profit before tax of US\$3.3 billion. This reflects the benefits of price increases, higher sales of premium brands, gains in productivity and the strength of a number of currencies. Adjusted earnings per share benefited also from a lower tax rate, growing 19% to 143.1 US cents.

In the light of this strong performance, the board has recommended a final dividend of 42 US cents per share, bringing the total for the year to 58 US cents per share – an increase of 16%.

Net cash generated from our operations, at US\$4.3 billion, was 6% above the prior year. Our gearing increased, as expected, to 49.7%, mainly as a result of higher borrowings to fund acquisitions and the substantial US\$2.0 billion capital investment programme discussed below.

## Market overview

There has been increasing uncertainty over the last 12 months about the health of the global economy and this has translated into substantial falls in financial markets. Against this background, SABMiller's share price has outperformed the FTSE100 by 9.4% and our position in the ranking of the top 100 companies by market capitalisation has improved one place to stand at number 25, as calculated on 31 March 2008.

We have benefited from our bias towards developing markets where we have well established and advantageous positions. We are number one in China, through our associate CR Snow, and in the Andean region of Latin America, and the second biggest brewer in India. We supply six out of every ten beers drunk in Africa, if you include our Castel Alliance. Growth in our key markets still outstrips the global average and is predicted to remain strong over the medium term.

The question is how well the developing world will survive the slowdown in the global economy. In most of these markets, the economic fundamentals are sounder than those in developed markets. Commentators generally believe that Asia will remain economically dynamic. Africa's ability to continue growing is less predictable, but its strong momentum, falling debt levels and improving balances of trade suggest that the continent's economies will prove resilient. Despite high interest rates in the short term in countries such as Colombia, we also see robust economic growth continuing in Latin America.

One effect of the recent rapid growth in developing markets is that national infrastructures have sometimes failed to keep pace – witness the recent power shortages in South Africa. A period of slower growth will allow infrastructure investment to catch up, as is now happening in South Africa where business and government are working together to address the issues.

Although rising demand for commodities has helped to create strong demand for our beers in commodity-producing countries, the same trend has added to our costs as a brewer with sharp increases

in the price of barley and hops. At the same time, rising oil prices have put up the cost of transport, glass and aluminium. Despite higher input costs, we've been able to maintain our group margin this year at 17.4%, which is quite an achievement as the Chief Financial Officer explains in his review.

Given the medium-term growth momentum in our business we continue to make substantial investments. In recent months we've been upgrading our breweries, building new facilities in countries such as Colombia, Russia and China and investing in sales and distribution in the form of new bottles and fridges. As a result, our overall investment has almost doubled from just over US\$1.2 billion to US\$2.0 billion over the past 12 months and will remain high in the current year.

Also essential to our future growth is our ability to address the social and environmental issues that affect the health and prosperity of the communities in which we operate. As we describe more fully on page 30, we're guided in this respect by 10 social and environmental priorities. Two years on from introducing these priorities, we're at the point where every SABMiller business has either reached the minimum level of compliance with all ten or has a plan to do so.

## Operational highlights

In October 2007, we announced our intention to combine Miller with the US and Puerto Rico operations of another great US brewing company, Coors. The proposed joint venture will create a stronger, brand-led US brewer with the scale, resources and distribution capabilities to operate more effectively in the increasingly competitive US marketplace. We hope to complete the transaction in mid-2008.

The other main highlight of the year was our acquisition of the Dutch company, Royal Grolsch N.V. With its rich northern European heritage, the Grolsch brand is not only a powerful addition to SABMiller's portfolio but also we hope it will open new doors in premium markets around the world.

In Latin America we continued our programme of investment and raising the perception of the beer category.

**Share price** 1 April 2003 to 31 March 2008  
(£ sterling)



Source: Thomson Datastream

While the full benefits are yet to be realised, progress has been in line with our expectations with lager volumes up 5% against an exceptional prior-year performance, and EBITA rising 17%.

Europe delivered another excellent result with organic lager volume growth of 8% and reported EBITA up by 30%. Volumes were particularly strong in Poland, Romania and Russia while stronger pricing and improved productivity more than offset higher input costs.

In North America, Miller Brewing Company made good progress in reshaping its portfolio to address higher-margin, higher-growth segments of the market while also achieving price gains and a segment-leading 1.1% growth in sales for its flagship brand, Miller Lite. Reported EBITA grew by 27%, mainly as a result of strong pricing, higher volumes and productivity and a one-off reduction in canning costs.

The strong growth in Africa and Asia continued with lager volumes growing organically by 15%. Our African operations benefited from robust economic conditions and a major investment programme is under way to meet growing demand. In China, the Snow brand enjoyed exceptional growth of 63%, cementing its position among the top three beer brands in the world. EBITA for the region increased by 22% to US\$568 million.

Finally, in South Africa, SAB Ltd posted a satisfactory result, maintaining sales volumes despite losing a major premium beer brand before the start of the year.

However, reported EBITA declined by 7%, reflecting lower premium volumes and significant cost increases in brewing materials and distribution, and a weakening of the local currency.

#### Board and executive

It is now nine years since the company listed on the London Stock Exchange. We have been fortunate to retain the services of several distinguished non-executive directors for the whole of that period, benefiting considerably from their insight and experience. The board does not consider it to be in the interests of the company to require all four of the directors who have served for nine years to retire at the same time, favouring continuity and stability through orderly succession. Accordingly, we have announced, at his own request, the retirement of Robin Renwick and the appointment of two new independent directors.

Robin Renwick has made a unique and important contribution to your company's success, both pre- and post-listing. He has been a diligent and committed director, chairing almost all the board committees at various times during his tenure. I thank him most warmly for his efforts.

Our two new directors joined the board on 15 May. Rob Pieterse is Chairman of the supervisory boards of Mercurius Groep B.V. and Royal Grolsch N.V. and was formerly Chairman of Wolters Kluwer N.V. Maria Ramos is Group Chief Executive of South Africa's largest transport, infrastructure and logistics firm, Transnet Limited, having previously been Director-General of the South African National Treasury.

During the year both André Parker, Managing Director of SABMiller Africa and Asia, and Norman Adami, President and CEO of SABMiller Americas, retired. As long serving executives they have both made significant and enduring contributions to the business and will be greatly missed. The group has been fortunate in having a number of long-serving executives who have shown their dedication and commitment to the company over many decades. In this regard I congratulate the Chief Executive, Graham Mackay, on completing 30 years service, 11 years leading the company, and wish him continued success.

I am grateful to all my board colleagues for their guidance and advice – not to mention their invaluable contribution in upholding the highest standards of corporate governance. The recent board changes will enhance the balance of independence on the board, while continuing the process of progressive renewal.

Finally, I would like to welcome to the SABMiller family our new colleagues from Grolsch and to thank all our executives, managers and staff who have worked extremely hard to produce the current set of results. I am also indebted to our many business partners and to you, our shareholders, for your support.

#### Outlook

This has been another year of strong growth for the group. In the current year, volume growth in the first half will be affected by high comparative growth rates, and pressure on input costs will continue to increase although pricing and mix benefits are again expected to compensate for these cost increases. The economic outlook across our global footprint, which is biased towards growth markets in developing countries, remains positive, and we will continue to benefit from the strength of our brands, operational capability and investment for growth.

#### Meyer Kahn Chairman

# The global beer market

## A view from an independent consultant

While the current economic conditions present real challenges that must be managed, several underlying dynamics still favour global brewers. Within that environment, the companies that can best balance great day-to-day execution with disciplined investment in brands and capability will create important long-term competitive advantages for themselves.



### Five dynamics are asserting strong influence over the global beer market

#### ■ The inherent challenges of slowing economies

Economic conditions vary greatly from market to market. The relative tailwinds of recent years have faded in some key markets. Other markets are just now beginning to show the strain of increased commodity costs. At the consumer level, this has tempered, but not derailed, the well-established trend of consumers trading up to higher-end products. At a structural level, this has significantly tightened the access to capital, providing meaningful advantage to players with strong balance sheets.

#### ■ The rise of a global middle class

According to a World Bank report published in late 2006, approximately 800 million people around the world are expected to join the middle class by the year 2030. These people are not only gaining the resources needed to purchase world-class consumer products, but they also view those products, such as professionally produced and marketed beer, as important benefits and indicators of their improved lifestyle.

#### ■ The accelerated evolution of emerging markets

Emerging economies that previously featured traditional beer markets are now quickly developing many commercial characteristics once associated exclusively with developed economies. In addition to the rise of the global middle class, emerging markets are also being reshaped by ongoing urbanisation. The United Nations predicts that more than 650 million people will migrate to urban centres over the next decade. Urbanisation enables global brewers and other fast moving consumer goods companies to reach additional consumers more effectively and efficiently.

#### ■ The intensification of consumer fragmentation

The growing consumer demand for variety has prompted brewers and other alcoholic beverage players to expand their portfolios with new offerings. That, in turn, has stimulated additional consumer interest in new choices, creating a reinforcing loop that shows no signs of slowing. That growing interest in choice has also made it far more attractive than ever before for competitors to expand into new local markets, exerting growing pressure on established, massive brands.

#### ■ The intensification of retail consolidation

While consumer preference continues to fragment, the retail environment continues to consolidate. Some of that is driven by actual structural consolidation among retailers, as major chains expand or combine. But most is driven simply by large retailers capturing a larger percentage of consumer transactions, as increasingly wealthy consumers continue to gravitate to more advanced retail outlets.

### Consequently, three critical implications exist for global brewers

#### ■ Efficiency and execution will be more important than ever

While beer has always been an asset-intensive business in which scale advantages are critical, the strong surge in commodity costs in recent years is forcing brewers to become even more efficient. Marketplace execution will be challenged by the increased complexity inherently associated with managing more diverse brand portfolios, as well as by the demand from the large retailers for increasingly sophisticated service.

#### ■ The key variable will be the development of strong brands and marketing capability

Strong efficiency and execution will increasingly function as simply 'table stakes' in the global beer industry. As developed markets fragment and emerging markets evolve, the key competitive differentiators will be the ability to create brands with strong consumer pull, and the ability to manage diverse local portfolios that fully address the new desires of consumers.

#### ■ Discipline will be rewarded

While effective cost-management will be critical in achieving short-term targets, long-term advantage will go to those companies that also continue to invest with discipline. Such discipline will be particularly important in building brands and customer-service capability, both of which typically require sustained, consistent investment over time to deliver meaningful competitive advantage.

**Charlie Frenette** is an independent consultant with extensive experience in the global beverage industry. He served as a non-executive director of the Miller Brewing Company from 2004-2008.



# Chief Executive's review

Success requires a broad, global spread of businesses, a full portfolio of brands, outstanding operational capability and talented people. As a result of consistently sticking to its strategic priorities, SABMiller has all these requisites in place.



Graham Mackay, Chief Executive

## Owning the growth

This year has seen another strong performance with results continuing the trend of several very strong years. Adjusted earnings per share grew by 19%, bringing the compound annual growth rate over the last six years to some 20% per annum. At 143.1 US cents, our adjusted earnings per share have very nearly trebled since 2002.

## Review of operations

While each of our markets has its own unique drivers of profit growth, there are common themes that have characterised our success this year. Our focus on building leading, local, mainstream and premium brands and managing full brand portfolios in each market has been successful in driving up revenues and profits and expanding our organic market share. What we've demonstrated is that stronger brands can deliver better value to our consumers and sustain firmer pricing. As a consequence, revenues have grown strongly across the business and have more than offset higher input costs.

We have also improved our brand mix, selling more higher-value brands in packs that generate higher margins. Given the trend towards premium beers, we continue to work hard to enhance our offering in this segment. We're also starting to see a meaningful contribution from brand innovations.

Consumer demand remained strong during the year, particularly in our developing markets. As a result, we've continued to make significant investments – some US\$2.0 billion in total – in additional production capacity, the provision of fridges and the introduction of new bottles to ensure we're positioned to take advantage of the growth in our markets. We've also invested heavily in product and packaging innovations.

Europe continued its very successful run with marketing and brand investments producing gains in market share in our six largest markets and pushing organic lager volumes up by 8%. Almost a third of volumes came from local product and pack innovations undertaken in the last three years. The region has also seen robust price growth with EBITA rising 30% as we capitalise on the strength of our brands.

After several brand launches and renovations in the prior year, Latin America delivered lager volume growth of 5%. Strong revenue and cost management as well as favourable currency impacts, drove solid profit growth with EBITA up 17%. We expect further growth as we continue to make the beer category more appealing through clearer segmentation of the market, improved brand portfolios and more effective and efficient selling and distribution.

In North America, Miller Brewing Company has returned to growth after the previous years' setbacks. EBITA was up by 27%, driven by a 4% increase in sales to retailers along with higher pricing, brand mix improvements, cost savings and a non-recurring gain. Miller's worthmore portfolio overall grew by nearly 50% with the newly launched Miller Chill selling some 500,000 barrels during the year. The underlying momentum of the business will help considerably as we prepare for the proposed joint venture with Coors. We hope to close the transaction in mid-2008.

Robust economic conditions in Africa contributed to a 6% growth in organic lager volumes from the group's operations on the continent (excluding Zimbabwe). Beer sales in our key markets of Tanzania and Mozambique continue to expand rapidly, despite tough comparisons with the previous year. Growth in Botswana has also been excellent, following the renovation of the St Louis brand and the launch of returnable glass bottles. Our partners in Africa, Castel, have also delivered a laudable performance in their markets.

In Asia, the group's associate in China, CR Snow, has extended its lead, acquiring a further four breweries in the year and growing volumes by 15% on an organic basis to bring its market share to 18%. Recent industry-wide price increases will help to cover rising input costs in the short term and, more importantly, bode well for future profitability. In India, despite overburdening regulation, we achieved organic volume growth of 19%. Our import-led business in Australia continues to grow strongly, albeit from a small base.

Our priority, increasingly, is to identify the most valuable segments of the markets we already serve and to make sure we capture a higher value share of these than our competitors. We call this process 'owning the growth'.

## Our strategic priorities

SABMiller has a clear strategic focus, at the centre of which are the four priorities set out below and discussed in more detail on the following pages. Management use a range of indicators to monitor progress against these four priorities. Some of the most important measures used are identified in the accompanying table and are expanded upon in the Chief Financial Officer's review on pages 18 to 23.

**Creating a balanced and attractive global spread of businesses**  
page 10

Our geographical spread of operations enables us to capture growth in total volumes in the developing markets, and value growth as consumers around the world trade upwards from economy to mainstream and from mainstream to premium brands.

**7%**

organic growth in lager volumes

**10%**

group revenue growth (organic constant currency)

**Developing strong, relevant brand portfolios in the local market**  
page 12

Our aim is to develop an attractive brand portfolio that meets consumers' needs in each of our markets. In many markets, because the growth is fastest at the top end, we've been focusing on our international premium brands, such as Peroni Nastro Azzurro and regional brands such as Kozel in Europe.

**0.5m**

barrels of Miller Chill sold in year one

**11%**

growth in premium volume in Europe

**Constantly raising the performance of local businesses**  
page 14

Good operational performance has always been an SABMiller strength. While operational standards are already high we are continually pushing them higher as evidenced by growing EBITA and stable or rising margins.

**9%**

EBITA growth (organic constant currency)

**17.4%**

consistent group EBITA margin

**Leveraging our global scale**  
page 16

We are leveraging our global scale to grow the business. Our business platform enables us, for example, to distribute our international premium brands and build our regional brands. In addition we are using our scale to transfer skills, methods and our operational performance and efficiency.

**18%**

revenue CAGR for the last three years

**72%**

international growth of Peroni Nastro Azzurro volumes

### Principal risks

The principal risks facing the group, which have been considered by the board, are detailed below. The group's well developed risk management process is detailed in the Corporate Governance section and our financial risks are discussed in note 22 to the consolidated financial statements.

The global brewing industry is expected to continue to consolidate. Should the group not participate in attractive value-adding transactions, this may inhibit its ability to leverage additional scale benefits. While participation in global consolidation provides opportunities to access scale benefits, enter growth markets and achieve benefits from the group's best operating practices, there is the risk that expected benefits may not be captured or may be inadequate, such that an appropriate return on capital is not achieved over time. The group has continued to make significant progress during the period with regard to creating a balanced and attractive global spread of businesses, as set out on pages 10 and 11.

The continued development of our marketing and growth of our brand portfolios positions us well to benefit from changing consumer preferences in both developed and developing markets. However, markets continue to evolve and competitor activity is increasing and should the group fail to ensure the relevance and attractiveness of its brands, and the enhancement of brand marketing, there is the risk that significant growth opportunities may not be realised. The group's approach and progress this year in terms of developing strong, relevant brand portfolios in local markets is set out on pages 12 and 13.

The group now operates on six continents and it is essential to develop and retain a global management capability. Failure to maintain this capability at a high level or maintain our effective organisational leadership process which can capture shared learnings and leverage global synergies and expertise, could jeopardise our growth potential. The group's approach to leveraging its global scale is detailed on pages 16 and 17.

In many countries, regulatory constraints and restrictions on alcohol products, including sales and marketing activities, continue to be under the spotlight, and management interacts with the relevant authorities wherever appropriate. An increase in such impositions or in excise duties can have an adverse impact on our business in those countries where such actions may take place. Details of the group's activities regarding responsible alcohol consumption can be found in the sustainable development review on pages 30 to 33.

The supply of some brewing raw materials and packaging materials has been constrained during the past two years, leading to supply shortages and cost increases. Should the group fail to ensure an adequate supply of brewing and packaging raw materials at competitive prices, there is the risk that margins could fall. Mitigating factors for the risk of supply constraints and rising cost of raw materials are covered on page 14.

In South Africa, where SAB Ltd began the year with the loss of a major premium brand to a competitor, overall volumes remained level while mainstream volumes grew satisfactorily by mid-single digits. The decline in premium volumes was partially mitigated by the successful launch of Hansa Marzen Gold and growth in excess of 100% for Peroni Nastro Azzurro. Soft drinks grew 4% despite tough comparatives in the final quarter. EBITA declined by 7%, reflecting a weaker currency, rising costs in distribution and brewing raw materials and investment in our marketing and sales activities.

#### Exploiting our strengths in a challenging marketplace

As the Chairman has indicated, economies in general and the brewing sector in particular face tough new challenges. Against the background of a global economic slowdown and rising food price inflation, the current growth in commodity prices means sharp increases in the cost of our brewing and packaging raw materials. At the same time, the brewing industry continues to consolidate, intensifying the competition within each market. The retail environment is also getting tougher as stores and supermarkets claim more of the market from bars and restaurants where brewers' margins are higher.

Meanwhile, as the global beer market review on page 6 explains, consumers are seeking more choice and variety in their repertoire of drinks – a further trend to be factored into our strategy.

Succeeding in this challenging environment requires a broad, global spread of businesses, a full portfolio of brands, outstanding operational capability and talented people. As a result of sticking to the group's strategic priorities, discussed on pages 10 to 17, I believe SABMiller is unique among the global brewing companies in having all these requisites in place.

Our business portfolio, for example, gives us wide geographic coverage and advantageous exposure to emerging markets with above-average economic growth. Other brewers have followed our lead into emerging markets and, as a result, competition is increasing between

the global operators. However, we have well established positions and a long track record of success in these types of markets.

As time moves on, the opportunities to expand into new territories through mergers and acquisitions are becoming fewer. This means that while growth through territorial expansion remains important, our priority, increasingly, is to identify the most valuable segments of the markets we already serve and to make sure we capture a higher value share of these than our competitors. We call this process 'owning the growth'.

Owning the growth has to begin with a thorough analysis of consumer trends and marketplace dynamics. Before we can identify the opportunities, we need to understand the evolving tastes and preferences of different groups of consumers. Trends such as premiumisation, fragmentation and the increasing importance of female consumers will influence the way we approach any given market. Then we have to offer the right brands to the right target audiences in order to capture the growth where we think it exists.

Here we benefit from a second of our strengths – the ability to develop strong, relevant brand portfolios for each local market. Unlike some of our competitors, we've never concentrated on just one or two monolithic brands. Instead, we've developed a spectrum of strong brands from economy to premium, local to international and traditional to experimental. This is now turning out to be an advantage as we now have a locker-full of brands with which to address almost any segment of any market where we see an opportunity. The aim is to develop and deploy these brands for maximum competitive advantage in each local market.

A third strength of our business is its operational capability. Our strategy here is to keep improving our day-to-day execution by consistently and relentlessly raising the performance of each local business. In our manufacturing, our routes-to-market, our sales processes and every other aspect of our operations, we believe that long-term success comes down in the end to superior local execution, recognising that each of our local markets has its own unique features.

Shorter term, with input costs remaining high, it is critical to be able to secure the raw materials we need at the lowest costs. This key priority is discussed further on page 14.

Finally, we're looking to grow by leveraging our global scale. While allowing each business a high degree of autonomy and accountability, we're setting up structures and networks to foster collaboration, to ensure standard ways of doing things where this is helpful and to capture the best ideas and practices and disperse them quickly through the group. The objective is to create a collaborative, learning organisation in which the whole becomes greater than the sum of the parts and is better able to seize the opportunities for growth.

We recognise that our people are critical to our success. We have a strong culture of accountability and empowerment with clearly defined performance goals and we support our employees with world-class training and development. Further details are included on page 31.

#### Addressing risks

Like any organisation, we face a variety of risks. Recognising that risk is a fact of business, presenting opportunity as well as threat, we aim to manage it in a way that generates the best return for our shareholders. The well developed risk-management process described on pages 39 and 40 helps us to identify and monitor the principal risks to the business and deal with them appropriately. The principal risks we face are set out opposite while financial risks are discussed on page 97.

#### In summary

With the market positions we now occupy and the strategies we've consistently deployed, we believe that we're well placed to capture the growth opportunities in each market, to reinforce our competitive advantages and to keep generating value for our shareholders.

**Graham Mackay**  
Chief Executive

# Strategic priority one

## Creating a balanced and attractive global spread of businesses

**Our acquisitions in recent years have given us a wide geographic spread with good exposure to emerging markets. We now span six continents with a portfolio of businesses that captures opportunities around the world without being over-reliant on any single region. According to some sources, we've recently become the world's biggest brewer by volume – not something we deliberately set out to achieve, rather a by-product of creating a widespread, value-generating portfolio.**

While geographic expansion remains part of the strategy, we're looking increasingly to identify and exploit the opportunities for growth within the existing business portfolio. This can involve a range of activities from entering into local joint ventures or partnerships, to buying or building breweries, to acquiring local brands to help shape a full, local, brand portfolio. All are potential means of 'owning the growth' in individual markets.

The headline transactions of the year – the proposed MillerCoors joint venture and the acquisition of Grolsch, both detailed alongside – have contributed to this process. But much has been

happening elsewhere. In a young market like India with its low per-capita consumption of beer, the key is to increase our volumes by switching consumers to beer from other, stronger, alcoholic beverages. In India, last year's acquisition of Foster's is now contributing strongly to our growth. In China, part of the strategy is to acquire new breweries (four purchased in the past year) or to build from scratch where doing so adds value.

In other markets it may be more advantageous to acquire a company. That's what we did with Belgia in Poland – a move that gave us another brewery and an economy brand that fills a gap in the local portfolio. Another acquisition was that of Bluetongue in Australia, providing a local premium brand to put alongside our imported brands. Australia, like the UK, is an example of owning the local growth by importing attractive and interesting brands into a mature market.

Owning the growth is a complex process and one that requires clever, innovative thinking to address the varied opportunities in any given market. The case studies in this section are a few examples of how we've gone about it during the year.



### Bluetongue: another route into Australia

Pacific Beverages, our 50-50 joint venture with Coca-Cola Amatil, was formed in 2006, initially to import SABMiller's international premium beers into Australia, where the premium sector has been growing by 15% per annum over the past five years. Already handling Peroni Nastro Azzurro, Miller Genuine Draft, Pilsner Urquell and Miller Chill, the business has been looking for a local premium brand to complement the portfolio.

In 2007 it found the answer in Bluetongue, a characteristically Australian brand that started life in 2003, was named New Product of the Year at the 2004 Australian Liquor Awards and saw a 70% increase in sales during 2007. Its acquisition adds a successful, fast-growing, local brand to Pacific Beverages' existing portfolio (sales of which more than doubled in 2007) and will expand the joint venture's share of Australia's highly profitable premium beer market.

A further advantage is that the acquisition of Bluetongue creates sufficient critical mass in terms of local sales for Pacific Beverages to invest in a new brewery near Sydney. Due to be completed in 2010, this will provide extra capacity both for Bluetongue and for our other premium brands. With its advanced environmental technology, the new plant is planned to be one of the most water-efficient breweries in the world.



## Grolsch: a strong addition to the premium portfolio

The acquisition of Royal Grolsch N.V. in February 2008 adds a prestigious brand to the portfolio and strengthens our hand strategically.

With its 400 years of Dutch brewing tradition, Grolsch brings a long record of innovation and excellence and exciting opportunities to share best practice. It also contributes a large, state-of-the-art brewery that gives SABMiller the opportunity both to expand production of Grolsch and to brew its own international brands for sale in the Netherlands and for export to markets such as the UK.

Grolsch complements the existing premium brand portfolio and adds another powerful name in the fastest growing segment of the global beer market. Grolsch, in turn, will benefit from SABMiller's global distribution network.

Northern European brands have been among the most successful global premium brands, accounting for nearly half the growth within the segment. Importantly for our purposes, they're highly regarded in developing markets and have proved to be an excellent way of establishing the premium sector in parts of the world where the top end of the market has yet to be occupied. We therefore see strong potential for Grolsch, particularly in Africa where the premium segment is in its infancy. Further opportunities exist in the more developed markets of Central and Eastern Europe. Grolsch will also help us develop the premium sector in South Africa.

## MillerCoors: a leading US brewer for the 21st century

MillerCoors will benefit from the largely complementary geographic strengths



The agreement to combine Miller Brewing Company with Coors Brewing Company, the US subsidiary of Molson Coors, is a major advance for the business. The joint venture will have the scale, resources and distribution to compete more effectively as cost pressures mount, competition intensifies, consumers look for greater differentiation and retailers and distributors consolidate.

The combined business, MillerCoors, will benefit from the largely complementary brand portfolios and geographic coverage of the two companies and from synergies and productivity improvements worth an estimated US\$500 million a year. The gains will be felt not just by the business, but by consumers, retailers, distributors and the industry at large.

With its wider portfolio of brands and improved ability to innovate, MillerCoors will be able to offer greater choice and availability to US consumers. Streamlined processes and systems will provide the more sophisticated service that retailers increasingly demand, helping them, in turn, to compete more effectively. Distributors, for their part, will benefit from a stronger portfolio of brands along with lower costs and simpler logistics. All these together will make for greater efficiency and ensure strong, healthy competition in the industry.

We hope to close the transaction in mid-2008.

## Strategic priority two

# Developing strong, relevant brand portfolios in the local market

**As the global beer market overview on page 6 explains, most of our markets exhibit at least three major trends. One is premiumisation as consumers move up the scale from economy to mainstream and mainstream to premium beers in search of brands that offer prestige and differentiation. Another is fragmentation. Contrary to expectations a few years ago, consumers at the top end are varying their choices and becoming more interested in speciality brands, craft beers, foreign imports and other sub-divisions of the premium segment. And a third trend is the growing importance of female consumers.**

Our central strategy is to identify the trends and dynamics in each market, then to create the right mix of brands to capture the opportunities in each location. We're helped in this respect by having a huge and varied global portfolio of brands on which any of our businesses can draw – not to mention our ability to innovate as consumers demand new tastes, new presentations and new drinking experiences. The key is to deploy our brands so that each adds value through its own distinct positioning.

Managing full portfolios of brands in this way is more complicated than the single-brand approach. A premium beer with an unusual heritage will need different marketing to a mainstream brand – something more akin to viral marketing that gives consumers a sense of having discovered it for themselves. Brands targeted at the clubbing generation, of legal age drinkers, might be best communicated through new media such as the internet, as we're doing with Miller Genuine Draft in Russia. Among the skills we need, we're learning the best ways to communicate with multiple target audiences.

Around the group, businesses such as Miller in the USA and Kompania Piwowarska in Poland have continued to evolve their portfolios to match the opportunities in their respective markets. Panama and Botswana are two examples of businesses that have renovated mainstream brands successfully. The case of Miller Chill shows how an innovative premium product can fill useful gaps in more than one market – its success in the USA followed by an equally successful launch in Australia. In Poland and Russia, the strategy of marketing the Redd's brand to women is generating good results. Other successes are detailed in this section.



## A full portfolio in Botswana

St Louis is Botswana's only local beer brand, with a market share of around 50%. By 2006, however, it had become jaded and its sales were declining. The decision was made to renovate the brand and review the portfolio as a whole.

In a country proud of its status as one of Africa's success stories, the first step was to create new packaging and associations to link St Louis with the taste and style of today's Botswana. In a break with local tradition, the revitalised brand was introduced in new returnable bottles instead of cans. As well as being more affordable, glass bottles are better environmentally.

The 2007 relaunch quickly reversed the decline of the previous few years. With St Louis successfully addressing the mainstream market, the business has filled out the portfolio top and bottom by adding Peroni Nastro Azzurro at the premium end and introducing Barons from Mozambique in the economy segment. The sorghum beer, Chibuku, retains its 97% share of the traditional beer market.



## Panama: a historic brand relaunched

SABMiller's move into South America in 2005 was followed by a systematic analysis of the marketplace and a strategy aimed at raising the perception of the beer category. One result in 2007 was the renovation of Panama's oldest brand, Balboa, which dates back to 1910.

Under the theme of getting more flavour and passion out of life, the relaunched product is directed at premium drinkers in their mid-20s. The 330ml bottle and modern, stylish label support the theme with an image of the swashbuckling Spanish explorer, Vasco Núñez de Balboa. The launch took the form of a beach party with live bands and the distinctive red sofas used in the advertising to symbolise 'the tribe' enjoying life together.

Buoyed by the relaunch, Balboa's sales rose 65% in the year to March 2008. The brand-building continues and includes further special events to consolidate Balboa's strong connection with its consumers.



## Peroni: winning in the UK market

Miller Brands (UK) was established in 2005 to handle SABMiller's international premium brands (Peroni Nastro Azzurro, Miller Genuine Draft and Pilsner Urquell) in the mature UK market. Its formation came as many of the UK's existing premium brands were declining and consumers were turning to more distinctive beers. With competitors reducing their prices to maintain market share, Miller Brands chose to occupy the top end of the market and maintain its premium price positions.

In the case of Peroni Nastro Azzurro, Miller Brands' strategy has been to work closely with key UK retailers, developing exciting and innovative marketing and distributing only to outlets that attract the discerning target consumer.

In a premium lager market that declined by 5%, Peroni Nastro Azzurro has both expanded its sales volumes, growing 39%, and maintained its premium price. Miller Brands' portfolio has now been enhanced with the addition of Tyskie and Lech, respectively the number one and two Polish beer brands in the UK.

## Reshaping the portfolio in the USA

The main strength of the Miller portfolio in recent years has been the low-calorie flagship brand, Miller Lite. Its weakness has been its heavy exposure to two declining sectors, full-calorie and economy beers, and its under-representation in the premium segment where most of the growth is happening. In late 2006, Miller developed a strategy to rebalance the portfolio and position the company for long-term growth.

The first part of the strategy was to renovate Miller Lite with new packaging and advertising. Sales have responded with a 1.1% rise during the year.

The second part was to capitalise on current trends in the premium sector with brands drawn from a variety of sources. Peroni, for example, is now the seventh-fastest growing European import into the USA. The Leinenkugel's brand, still brewed in the Wisconsin woods by the fifth generation

of Leinenkugels, exploits the trend towards craft beers. The newly created Miller Chill trades on the growth in light beers and the fashion for all things Latin.

The third aspect of the strategy seeks to slow the decline of the full-calorie Miller Genuine Draft and the economy brands, Miller High Life and Milwaukee's Best, recognising both their heritage value and their contribution to cash flow. Miller High Life has now returned to growth on the strength of its successful 'Take Back the High Life' campaign.

Today's portfolio makes a much better fit with consumers' demands and the strategy has played a large part in Miller's resurgence.

## Strategic priority three

# Constantly raising the performance of local businesses

**While our operating performance compares well with that of the rest of the industry, we know we have to keep improving to stay ahead. Our efforts in the past year have focused on three main aspects of the business.**

The first is to become more efficient, especially in our manufacturing. Because efficiency is part of our day-to-day management, we've already gone a long way down this route and the opportunity for further, large, cost-cutting projects is limited. Nevertheless, the rise in commodity costs compels us to do whatever we can to counteract the squeeze on our margins. We've seen good progress across the group, notably from Miller which again made important savings in its brewing operations while producing less waste and using fewer resources.

The second area of focus – and one that's hugely important to our success – is to improve our routes to market, both to remove costs and to ensure that the right products reach the right outlets in the right condition, accompanied by the right messages and merchandising material. Colombia and South Africa are just two of several businesses that are working hard to re-engineer their sales and distribution structures to make them more efficient and effective. In markets such as the USA, where the business does not directly control its distribution, we're making it easier for distributors and customers to do business with SABMiller and are looking for ways to add value to their operations as well as ours.

Thirdly, in our quest to raise local performance, we're responding to the consolidation of the retail sector by forming mutually beneficial partnerships with major retailers. Our Polish business, for example, has forged a closer relationship with Tesco while Miller has done the same with chains such as Wal-Mart and 7-Eleven.

The case studies on these two pages describe in more detail some of the many ways in which SABMiller businesses around the world are improving their operating performance.

### Dealing with rising input costs

The past two years have seen an unprecedented rise in the price of inputs, namely barley and hops for brewing and glass and aluminium for packaging. As one of the largest global buyers of these items, we have procurement strategies for managing our risks and mitigating the impact.

Thanks to our scale, we can procure more efficiently by coordinating our buying effort globally but sourcing locally according to where particular expertise lies. Europe, for example, buys a significant amount of malt for the group while aluminium is purchased in the USA where the bulk of our cans are produced. This approach has helped to limit the increases in our commodity costs compared to prices on the open market.

In addition, we have specific risk-management policies to limit our exposure to commodity market volatility. We use hedging strategies to supplement long-term contracts with suppliers in order to ensure supplies at target prices. In the past year we've been able to limit the increase in the cost of goods per hectolitre of beer produced (in constant currency) to mid-single digits – a successful result.



### Introducing 430 million new returnable bottles in South Africa

Mainstream brands in South Africa have normally been sold in returnable quart bottles. Although standardisation made the product more affordable, it was hard to add distinctive labelling and the bottles themselves gradually became outdated.

The business therefore made a decision in 2007 to invest around US\$70 million to replace its entire quart bottle stock in a phased project lasting 18 months. As well as using less glass, the new bottle shape has improved the image of the mainstream category and lends itself to new labelling technology which in turn makes for stronger brand differentiation.

Running from April 2007, the project is a massive logistical task involving the introduction of 430 million new bottles. The phased roll-out limits the company's flexibility to move stock around the country and infrastructure challenges have created further complications. Shortages of glass, for example, have required new sourcing from as far away as the Middle East. Despite the difficult logistics, the results are coming through as evidenced by a return to growth in the mainstream segment.





## Developing relationships with large retailers

In some markets, consumers are increasingly buying their beer from supermarkets and other retailers rather than ordering it in bars and restaurants. This presents a challenge to brewers in that margins on retail sales tend to be tighter. The difficulty is compounded as the retail sector consolidates and drives margins still lower.

Against this background, it's important to learn how to work with retailers and ensure we become the preferred supplier wherever possible. To this end, our Polish business has forged

relationships with Tesco and E.Leclerc that involve developing joint plans for store layouts and sales and promotions. The Polish team has drawn on SABMiller's knowledge of consumers and its skills in marketing to design new ways of displaying and promoting its products in-store. These are now in place in three Polish hypermarkets – two Tescos and one E.Leclerc.

Thanks to this new relationship, Tesco Poland has made SABMiller's Polish subsidiary its principal beer supplier and the business is now the

nationwide leader in hypermarkets and supermarkets. Shoppers increasingly perceive SABMiller brands as segment leaders and both SABMiller and Tesco are benefiting from a rise in sales.

Miller in the USA has made similar progress in understanding the objectives and strategies of the big national retail chains and is working with them to add value to the relationship. As a result, its sales with the big four – Wal-Mart, 7-Eleven, Kroger and Supervalu – are growing faster than its sales overall.



## Expanding production in Colombia

After the transaction with Bavaria, SABMiller decided that production standards in all its Latin American breweries should be lifted to the same stringent levels as in the rest of the group, to ensure that consumers enjoyed the highest quality of beer. As this included fermenting the beer for longer, the move put further pressure on capacity at a time when the local business was struggling to meet rapidly growing demand.

In response, SABMiller has built a new brewery in extremely quick time on a site already earmarked by Bavaria for a future plant. The Valle facility in Colombia is based on Bavaria's original plans with modifications to take account of SABMiller's worldwide experience and the need to meet the highest efficiency and environmental standards. Operating since March 2008 and now the most advanced brewery in Colombia, the plant is capable of producing 180,000 bottles of beer an hour.

The US\$220 million Valle project is just one example of the heavy investment going on around the world to keep pace with rising demand for SABMiller's beers.

## Miller: Lower costs and a smaller carbon footprint

In 2007, Miller embarked on Project Unicorn with the aim of continuously improving its operations and making further savings in packaging, freight, waste, utilities and maintenance.

The programme incorporates the principles of World Class Manufacturing whereby employees are empowered to search for solutions that cut the number of stoppages on the production line. The resulting improvements have taken Miller's overall equipment effectiveness to an all-time high of 74.9%.

Reducing the diameter of Miller's can ends has cut the company's use of aluminium by over 560 tonnes per year – the equivalent of all the aluminium in 2.2 million cases of beer. A new anaerobic wastewater treatment plant at one of Miller's plants now generates enough biogas to produce a megawatt of electricity for the brewery each hour – again saving energy and costs and reducing the company's carbon footprint.

Seventeen months on from its launch, Project Unicorn is on track to achieve its target of reducing costs by US\$120 million over three years.

## Strategic priority four

# Leveraging our global scale

**As a global organisation, we're constantly seeking to harness the benefits of our scale. At the same time, we have to recognise that beer is essentially a local business and that local managers are in the best position to identify and exploit local opportunities. The question is how to generate maximum value and advantage from our size without becoming over-centralised and losing our relevance and responsiveness in each market.**

One example of how we're tackling the issue is through the SABMiller 'Ways'. These address eight aspects of the business essential to our success (manufacturing, corporate affairs, operational finance and others) and provide tools, procedures and processes that encapsulate best practice in the group. Without being prescriptive, they set out how things are expected to be done and make it easier for essential knowledge to be retained, transferred and made available to others. Each Way is put together collaboratively. Local businesses contribute their experience and insights and are then responsible for applying the Ways in their own marketplace. A number of the Ways are up and running and the latest, the enhanced Marketing Way, will be rolled out during 2008.

We take a similar approach to innovation. This, again, is essential to our business, especially in a fragmenting marketplace where consumers are increasingly looking for novelty and difference. While the right innovation can generate enormous value (Miller Chill is a case in point), the process costs money and not every innovation succeeds. Effective innovation must be technically feasible, be an answer to known needs and be rooted in a thorough analysis of the marketplace.

Clearly, the more we can do to pool the relevant knowledge, the better our chances of succeeding. Rather than centralise the innovation process, we're creating a virtual network to co-ordinate efforts around the group and harness the best new thinking wherever it exists. A tool known as SmartGate helps to standardise our approach to innovation, to manage the risks and to make the results widely available.

In all these Ways, we're seeking to develop a collaborative, learning organisation that enables local businesses to compete more effectively while at the same time extracting full value from our global scale.





## A pipeline of innovative brands

As Miller focuses increasingly on top-end premium brands, it faces a greater need to innovate and to offer the distinctiveness that consumers demand. One recent response is the creation of Miller Chill, a unique-tasting, chelada-style, light beer with a touch of lime and salt. This innovative brand exploits the growth in the light beer segment as well as the growing Latin influence on mainstream American culture and a greater willingness by consumers to pay a premium for distinctive brands. Launched in the USA in 2007, Miller Chill has beaten expectations in its home market and has now been successfully introduced in Australia.

Miller's innovative skills are further demonstrated in the Miller Lite Brewers Collection, now being tested under the tagline, 'Craft beer. Done Lite'. Combining the refreshment of a light beer with the flavour and interest of a craft brew, the collection potentially creates a new category in the competitive US market. A tasting panel from Modern Brewery Age Weekly described two of the beers in the collection as 'superb in every respect' and the blonde ale as 'arguably one of the best light beers ever made'.

Other businesses, too, are successfully innovating. Of the many examples, South Africa recently introduced a new, uniquely flavoured premium beer, Hansa Marzen Gold. This has been followed by the highly successful Sarita apple-flavoured ale, its new variant Sarita Ruby Dry, and the flavoured alcoholic beverage, Skelter's Straight.

## Leveraging our local value chain

Wherever possible, we try to incorporate local suppliers into our value chain with a view to benefiting both the business and the communities in which we operate.

In recent years we've created opportunities for small-scale farmers in Uganda, Zambia, Zimbabwe and Tanzania to supply us with barley and sorghum. In 2005 we began testing a similar model in Rajasthan in India. The aims were to create a high-quality, domestic source of malted barley for the business and enable farmers to get better prices for their produce by becoming part of SABMiller's supply chain.

Under the scheme, 6,000 small-scale farmers supply SABMiller India and have access to good quality barley seeds and relevant agricultural training. Since 2005, the yield and quality of the local crop have shown improvements and farmers' income from their crop has improved. The programme is expected to grow to meet 50% of the barley needs of SABMiller India over the next five years.

We also involve small-scale entrepreneurs in our downstream activities. In Zambia, for example, we've created over 1,800 jobs by setting up local people with their own kiosks and wholesale outlets to distribute and sell our soft drinks.



## The SABMiller Marketing Way

The SABMiller 'Ways' are at various stages of development. The enhanced Marketing Way, relaunched at the start of 2008, is a toolkit for helping businesses to 'own the growth' by sharpening their skills in analysing and segmenting their markets, identifying the profitable opportunities and deciding where and how to concentrate their efforts.

The process of compiling the Marketing Way showed the kind of collaborative learning that the group as a whole is working towards. Instead of the corporate centre laying down the rules or trying to manage the local marketing process, we took the best ideas and expertise from around the world and distilled them into clear principles, an end-to-end process framework and a set of tools for businesses to apply as appropriate. In this way, each local team retains its autonomy but can benefit from the learning and insight of SABMiller as a whole.

As the Marketing Way is rolled out, we'll provide comprehensive training and support to help our teams to work with it effectively and embed it into their operations.

# Chief Financial Officer's review

Our revenue growth reflects the group's success in expanding its volumes while also achieving significant price and mix gains.



Malcolm Wyman, Chief Financial Officer

## Key performance indicators (KPIs)

SABMiller has a clear strategic focus, with four strategic priorities, as noted in the Chief Executive's review. Management use a range of KPIs to monitor progress against these priorities. Some of the most important measures used are:

- Volume growth on an organic basis;
- Group revenue growth on a reported and organic constant currency basis;
- Growth in volumes of premium brands (also called worthwhile brand volumes in North America);
- Volume growth of selected international and regional premium brands outside their home markets;
- Organic constant currency EBITA growth and EBITA margin progression; and
- In addition, various non-financial metrics relevant to functional areas.

Certain KPIs are discussed in further detail below within the review of the current year's financial performance. Other non-financial KPIs have been dealt with in the Chief Executive's review and in the operations review.

Selected disclosures of results on an organic, constant currency basis are made to illustrate underlying performance. These exclude the effects of acquisitions net of disposals, and changes in exchange rates. Organic results exclude the first 12 months' results in the case of acquisitions and investments, and the last 12 months' results from disposals. Constant currency results have been determined by translating the local currency denominated results for the year ended 31 March 2008 at the exchange rates for the comparable period in the prior year.

**+9.6%**

increase in group revenue on an organic constant currency basis

## Volumes

The adjacent chart shows the group's organic growth in lager volumes for each of the last four years. The group's growth in each year is significantly ahead of the growth rate of the global beer industry.

This year's results demonstrate the operating strength of our group and our recent volume increases in part reflect our strong presence in higher growth markets. Total beverage volumes, including soft drink volumes, grew by 6% on an organic basis and 6% on a reported basis to 288 million hl. Within this total, lager volumes at 239 million hl were up by 7% on an organic basis and 11% on a reported basis. Particularly strong growth in lager volumes was recorded in Europe and Africa & Asia.

## Revenue

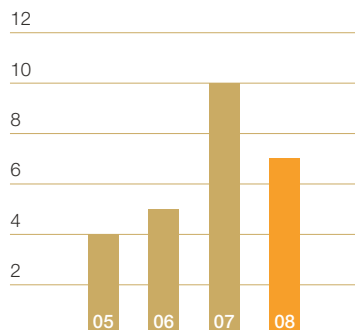
Our revenue growth reflects the group's success in expanding its volumes while also achieving significant price and mix gains illustrating the strength of our brands, front-line pricing and good revenue management. The adjacent chart illustrates the organic growth in group revenue for each of the last four years with each year's performance shown in constant currency.

Group revenue (including our share of associates of US\$2,418 million) was US\$23,828 million. This represents an increase of 9.6% on an organic, constant currency basis and is ahead of the growth in volumes. Real price/mix gains of 3.3% were achieved, principally in North America, Europe and Latin America, with stronger gains in the second half of the year.

Currency movements during the year increased reported revenue by 5.5%, as the majority of the currencies in which the group trade strengthened against the US dollar with the exception of the South African rand. Transactions completed in the financial year in the Netherlands and Poland (offset by soft drinks business disposals in Latin America and China) had the effect of increasing reported revenue by 0.8%.

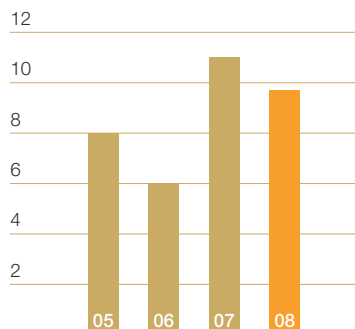
Since the Miller transaction in July 2002, the group has grown revenue strongly, both on an organic basis and by acquisition. The compound annual organic growth rate

Lager: organic volume growth (%)



Source: SABMiller plc 2008

Group revenue growth (%) Organic constant currency basis

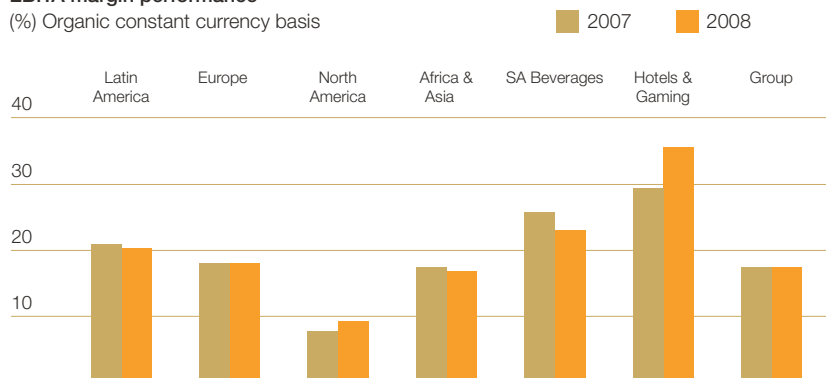


Source: SABMiller plc 2008

## Double digit organic constant currency growth in EBITA was achieved by Europe, North America and Africa & Asia.

### EBITA margin performance

(%) Organic constant currency basis



Source: SABMiller plc 2008

in volumes has been 5.6%. The group has leveraged volume growth through price and mix benefits to generate compound annual group revenue growth of 9.3% over that period.

#### Input costs

Input cost pressures have been significant in the past year. Most notably there have been substantial increases in the market prices of malt, barley and hops. The price of malt and barley has more than doubled in the last two years, while the price of hops has increased by seven to ten times over the same period, with a significant spike in the last 12 months in particular. The impact of this on profitability has been tempered through supply contracts for future requirements and an active hedging programme, combined with programmes to support development of local barley farming in both Africa and India, underpinning our supply in these areas. As a consequence the impact of input cost increases has been more muted, with total raw material costs increasing 9% per hl in constant currency. Our total cost of goods sold per hl, which includes other variable costs, is up about 6% on the same basis reflecting the lower cost pressures experienced on other inputs.

#### EBITA

EBITA is defined as operating profit before exceptional items and amortisation of intangible assets (excluding software). It includes the group's share of associates' operating profit on a similar basis. We choose to report EBITA in our results in order to accord with the manner in which

the group is managed. SABMiller believes that the reported EBITA profit measures give shareholders additional information on trends and make it easier to compare different segments. Segmental performance is reported after the specific apportionment of attributable head office service costs.

The chart above shows the organic increase in EBITA for each of the last four years with each year's performance shown in constant currency. EBITA grew 9% on an organic, constant currency basis. Reported EBITA, which includes the impact of currency movements and acquisitions, grew by 15% to US\$4,141 million. Growth in EBITA reflects the benefits of volume and revenue increases as well as productivity. The group has a record of improving its productivity over time, notwithstanding increases in capital investment and in sales and marketing expenses which can impact productivity in any individual year.

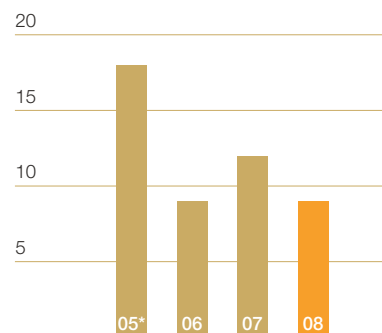
Double digit organic constant currency growth in EBITA was achieved by Europe, North America and Africa & Asia, which enabled the group to absorb the EBITA decline in South Africa and still achieve a good overall performance for the year. Latin America is now the largest beverage segment, contributing 25% of group EBITA and this represents the significant progress made by the group in developing a balanced portfolio of businesses.

#### EBITA margin

The group has a strong record in protecting and developing profitability to raise the performance of local businesses, as seen

### EBITA growth

(%) Organic constant currency basis



Source: SABMiller plc 2008 \*UK GAAP

in group EBITA margin trends in the chart above. In this year of significantly rising input costs, revenue growth and production efficiencies enabled the group to recover the increases in costs experienced and the group has maintained its EBITA margin at 17.4%. This is a noteworthy achievement. In addition to the input price pressures experienced the group suffered the adverse impact on volume and mix of the loss to a competitor of the licence to produce a premium brand which had previously accounted for 9% of volumes in South Africa.

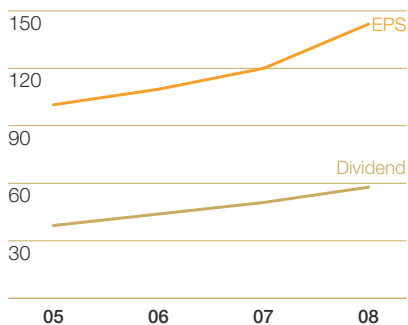
**+9%**

EBITA growth on organic constant currency basis

The group's reported EBITA margin on an organic constant currency basis is 10 basis points lower, as currency movements that have favoured the weighting of higher margin businesses in the group total are excluded from this measure.

The group has continued investment in future growth, particularly capacity expansion, and also in brand support and sales capability. There has also been a focus on productivity and cost management. Overall this investment has led to some incremental cost in EBITA margin.

**Adjusted EPS and Dividend per share**  
(US cents)



Source: SABMiller plc 2008

**Exceptional items**

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

Net exceptional charges of US\$112 million before tax were reported during the year (2007: US\$93 million). Of these, US\$78 million relate to final restructuring costs incurred in Latin America (2007: US\$69 million), partially offset by a net profit of US\$17 million on the disposal of soft drinks businesses in Costa Rica and Colombia. Miller has also recorded costs of US\$51 million in relation to retention accruals pending the completion of the proposed MillerCoors joint venture and certain integration costs. In 2007, Europe reported a net exceptional cost of US\$24 million. This comprised a profit on the disposal of land in Naples of US\$14 million less integration costs of US\$7 million principally incurred in Slovakia, and an adjustment to goodwill at Birra Peroni. As required under IFRS, to the extent that a business is able to utilise, after an acquisition, previously unrecognised deferred tax assets, an adjustment to goodwill is required with a compensating adjustment to tax. During 2007 we recorded such an adjustment for US\$31 million in respect of Birra Peroni and this had been included within exceptional items.

**Finance costs and tax**

Net finance costs increased to US\$456 million, a 7% increase on the prior year's US\$428 million. Finance costs in the current year include a net benefit from the mark-to-market adjustments of various derivatives amounting to US\$35 million (2007: nil) which are of a capital nature and for which the group has been unable to obtain hedge accounting. This benefit has been excluded from the determination of adjusted earnings per share. Adjusted net finance costs, which exclude this benefit, were US\$491 million, up 15%, reflecting an increase in net debt following the significant capital expenditure programme currently being undertaken by the group and the recent Grolsch acquisition. Interest cover, based on pre-exceptional profit before interest and tax and excluding the impact of the mark to market movements noted above, has increased to 7.9 times from 7.8 times in the prior year.

The effective tax rate of 32.5% (2007: 34.5%) before amortisation of intangible assets (other than software) and exceptional items and the adjustment to interest noted above, is below that of the prior year, principally reflecting a more favourable geographic mix of profits across the group, local statutory rate reductions and ongoing initiatives to manage our effective tax rate.

**Currency**

The South African rand has declined against the US dollar during the year and ended the financial year at R8.15 to the US dollar, while the weighted average rand/dollar rate weakened by 1% to R7.13 compared with R7.06 in the prior year. The Colombian peso (COP) strengthened by almost 17% against the US dollar compared to the prior year end, and ended the year at COP1,822 to the US dollar, while the weighted average COP/dollar rate improved by 15% to COP1,997 from COP2,340.

**Profit and earnings**

Adjusted profit before tax of US\$3,639 million increased by 15% over the prior year, reflecting performance improvements across the businesses and translation of results into US dollars. On a statutory basis, profit before tax of US\$3,264 million was up 16%, including the impact of exceptional items and the mark to market movements in finance costs as noted above.

The group presents adjusted basic earnings per share to exclude the impact of amortisation of intangible assets (excluding software) and other non-recurring items, which include post-tax exceptional items, in order to present a more meaningful comparison for the years shown in the consolidated financial statements. Adjusted earnings increased by 20% to US\$2,147 million and the weighted average number of basic shares in issue for the year was 1,500 million, up from last year's 1,496 million.

Adjusted earnings per share increased by 19%, the fifth year in the last six years with double digit growth. The group's adjusted earnings per share also showed double-digit increases when measured in South African rand and sterling. A reconciliation of basic earnings per share to adjusted earnings per share is shown in note 8 to the financial statements and, on a statutory basis, basic earnings per share were up 22%.

# +16%

increase in dividends for the year

# US \$2,034m

invested in capital expenditure

### Dividends

The board has proposed a final dividend of 42 US cents to make a total of 58 US cents per share for the year – an increase of 16% on the prior year. This represents a dividend cover of 2.5 times based on adjusted earnings per share, as described above (2007: 2.4 times). The group's guideline is to achieve dividend cover of between 2.0 and 2.5 times adjusted earnings. The relationship between the growth in dividends and adjusted earnings per share is demonstrated in the chart shown opposite. Details of payment dates and related matters are disclosed in the directors' report.

### Acquisitions and disposals

In December 2007, SABMiller plc and Molson Coors Brewing Company announced that they had signed a definitive transaction agreement to combine the US and Puerto Rico operations of their respective subsidiaries, Miller and Coors, in a joint venture to create a stronger, brand-led US brewer in the increasingly competitive US marketplace. We hope to close the transaction, which is subject to US anti-trust clearance, in mid-2008.

In January 2008 the group completed the acquisition of 99.96% of Browar Belgia Sp. z o.o, the fourth largest brewer in Poland.

In February 2008 the group completed the acquisition of Royal Grolsch N.V. in the Netherlands and by 31 March 2008 had acquired a 99.65% shareholding. In addition, our joint venture with Coca-Cola Amatil Limited, Pacific Beverages Pty Limited acquired Bluetongue Brewery Pty Limited (Bluetongue), the Australian premium brewer.

In May 2008, SABMiller announced it had agreed to acquire a 99.84% interest in the Ukrainian brewer CJSC Sarmat. The transaction is subject to approval by the Ukrainian competition authorities and other customary pre-closing conditions.

During the year the group completed the disposals of its soft drinks business in Costa Rica and its juice business in Colombia. The group has also purchased further minority shareholdings in our operating company in Panama.

Our associate in China, CR Snow, has continued to consolidate its position as the country's largest brewer with the purchase

of further breweries. CR Snow completed the disposal of a non-core water business.

### Cash flow and investment highlights

The group has a good record of generating cash, as shown in the adjacent chart. Increases in cash generation reflect growth in profitability before interest and tax payments and investment activities.

# 21%

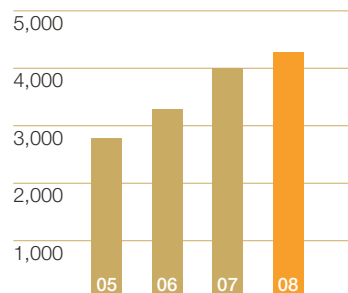
cash generation measured by EBITDA: revenue

Net cash inflow from operating activities before working capital movements (EBITDA) rose 12% to US\$4,518 million from last year's US\$4,031 million. The group's cash flow generation was again strong as demonstrated by the ratio of EBITDA to revenue (both metrics excluding results of associates) at 21% (2007: 22%). The group maintained its net liability position in working capital but there has been a cash outflow from rising working capital of US\$242 million across the group mainly as a result of outflows in Latin America and Europe with higher receivables from the Easter period the most significant factor. As a result cash generated from operations increased by only 6% over the prior year to reach US\$4,276 million.

The group has continued to invest in the business, and capital expenditure for the year has grown to some US\$1,978 million (2007: US\$1,191 million) including additional production capacity, new containers and distribution to enable the business to take advantage of the growth in its markets. Capital expenditure as reflected in US dollars has also been increased by the strengthening of certain currencies in key markets against the US dollar. Capital expenditure including the capitalisation of intangible software costs is US\$2,034 million (2007: US\$1,244 million).

Tax paid has risen by 21% to US\$969 million from US\$801 million, in excess of profit before tax growth due to timing considerations.

Net cash from operations (US\$m)



Source: SABMiller plc 2008

**Funding structure**

	2008 \$m	2007 \$m
Overdraft	(485)	(187)
Borrowings	(9,160)	(7,029)
Derivatives	(75)	(127)
Finance leases	(13)	(15)
Gross debt	(9,733)	(7,358)
Cash and cash equivalents	673	481
Net debt	(9,060)	(6,877)
Maturity of borrowings:		
Within one year	(2,062)	(1,711)
Between one to two years	(380)	(414)
Between two and five years	(3,932)	(1,847)
Over five years	(3,359)	(3,386)

Source: SABMiller plc 2008

**Financial structure and liquidity**

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, the group avoids over-reliance on any particular liquidity source. The group seeks to mitigate the effect of structural currency exposures by borrowing, where cost effective, in the same currency as the functional currency of its main units. The group borrows principally in US dollars, South African rands, euros, Polish zlotys and Colombian pesos at both fixed and floating rates of interest.

The group also enters into derivative transactions to manage the currency, commodities and interest rate risk arising from its operations and financing activities. It is group policy that no trading in financial instruments is undertaken.

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, in order to mitigate against the impact of an upward change in interest rates, the extent to which group debt may be in floating rates is restricted to the lower of (a) 75% of consolidated net debt and (b) that amount of net borrowings in floating rates that would, with a 1% increase in interest rates, increase finance costs by an amount equal to (but not more than) 1.2% of EBITDA. This policy is not applied for borrowings arising from recent acquisition activity and inflation linked debt.

Exposure to movements in interest rates in group borrowings is managed through interest rate swaps and forward rate agreements. As at 31 March 2008, 30% of the borrowings were at fixed rates, taking into account interest rate swaps and forward rate agreements (2007: 34%). A 1% move in interest rates would result in a change to finance costs equivalent to a 0.65% (2007: 0.65%) impact on EBITDA (excluding exceptional items).

Gross debt at 31 March 2008, comprising borrowings together with the fair value of derivative assets or liabilities held to manage interest rate and foreign currency risk of borrowings, has increased to US\$9,733 million from US\$7,358 million at 31 March 2007. Net debt comprising

gross debt net of cash and cash equivalents has increased to US\$9,060 million from US\$6,877 million at 31 March 2007 reflecting payment for the acquisition of Royal Grolsch N.V. (US\$1,190 million) and the assumption of its borrowings (US\$162 million) and the group's increased capital expenditure programme and the translation impact resulting from a weaker dollar against most of our trading currencies. An analysis of net debt is provided in note 27. The group's gearing (presented as a ratio of debt/equity) has increased to 49.7% from 45.8% at 31 March 2007.

In July 2007, the group's South African holding company for its South African operations raised R1,600 million (approximately US\$230 million) in 5-year notes. The notes, issued under a Domestic Medium Term Note programme, are guaranteed by SABMiller plc and are listed on BESA, the South African Bond Exchange. The net proceeds have been used to repay part of the existing loan facilities of The South African Breweries Ltd.

The average loan maturity in respect of the fixed rate debt portfolio is 3.9 years (2007: 4.7 years). The weighted average interest rate for the total gross debt portfolio at 31 March 2008 was 7.3% (2007: 7.6%) reflecting the currency profile of the debt and movements in rates in the year.

The group uses cash in hand, cash from operations and short-term borrowings to manage its liquidity. As at 31 March 2008, the group had cash and cash equivalent investments of US\$673 million (2007: US\$481 million).

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. As a result of the Grolsch acquisition, the group has reduced committed undrawn borrowing facilities from US\$3,426 million at 31 March 2007 to US\$1,222 million at 31 March 2008. Subsequent to the year end, in order to provide supplementary headroom, the group entered into an additional US\$1,000 million committed facility maturing June 2009, and the refinancing of the US\$600 million Miller bonds, maturing August 2008, has been secured with additional three year committed bank facilities.



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.

#### Balance sheet profile

As outlined above, the group has continued to enter new markets to strengthen its positions through additional acquisitions and investments. These transactions have altered the balance sheet profile of the group and details are given in note 28 to the financial statements.

Total assets increased to US\$35,813 million from the prior year's US\$28,736 million. There was also an increase of US\$104 million in equity interests attributable to minorities.

Goodwill increased by US\$2,350 million, reflecting acquisitions, primarily in relation to Royal Grolsch N.V. and as a result of foreign exchange movements on goodwill denominated in currencies other than the US dollar (US\$1,406 million).

Intangible assets increased by US\$482 million primarily reflecting foreign exchange movements on assets denominated in currencies other than the US dollar. A preliminary purchase price allocation for Royal Grolsch was undertaken in March 2008 following its acquisition in February 2008 and this did not include the recognition of all potential intangible assets. This exercise will be completed in the next financial year and will probably involve the recognition of new intangible assets.

#### Shareholder value

The value that a company returns to its owners is best measured by total shareholder return (TSR) – a combination of share price appreciation and dividends returned over the medium to long term. Recent measures of shareholder return have been affected by the volatility of equity indices. Nevertheless, since SABMiller moved its primary listing to the London Stock Exchange in March 1999, the FTSE 100 has produced a TSR of 23% to March 2008 (to 31 March 2007: 31%), while the group has delivered a TSR of 220% in sterling terms over the same period (to 31 March 2007: 217%).

#### Accounting policies and definitions

The principal accounting policies used by the group are shown as note 1 to the 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 estimates used. These relate to the assumptions used in impairment tests of carrying values for goodwill and intangible assets; estimates of useful economic lives and residual values for intangible assets, property, plant and equipment; assumptions required for the calculation of post-retirement benefit obligations; and 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.

The group's operating results on a segmental basis are set out in the segmental analysis of operations, and the disclosures are in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles.

In the determination and disclosure of reported sales volumes, the group aggregates the volumes of all consolidated subsidiaries and its equity-accounted associates, other than associates where primary responsibility for day-to-day management rests with others such as Castel and Distell. In these latter cases, the financial results of operations are equity accounted in terms of IFRS but volumes are excluded. Although contract brewing volumes are excluded from total volumes, turnover from contract brewing is included within group turnover.

Translation differences on non-dollar assets and liabilities are recognised in the statement of recognised income and expense. It is not the group's policy to hedge foreign currency earnings and their translation is made at weighted (by monthly revenue) average rates.

**Malcolm Wyman**  
Chief Financial Officer

# Operations review

## Latin America

Financial summary	Latin America 2008	Latin America 2007	%
Group revenue <sup>1</sup> (US\$m)	5,251	4,392	20
EBITA <sup>2</sup> (US\$m)	1,071	915	17
EBITA margin (%)	20.4	20.9	
Sales volumes (hl 000):			
– Lager	36,846	34,948	5
– Soft drinks	18,484	19,474	(5)
– Soft drinks – organic	18,484	18,564	(0)

<sup>1</sup>Including share of associates, US\$12 million (2007: US\$19 million).

<sup>2</sup>In 2008 before exceptional items of US\$61 million (2007: US\$64 million) being restructuring costs in Latin America, partially offset by the net profit on the sale of soft drink and juice businesses in Costa Rica and Colombia respectively.

### Key focus areas

- Continue to raise the appeal of the beer category
- Build well differentiated brand portfolios with national identities
- Optimise and extend distribution network and sales reach
- Embed organisation changes and performance management
- Continue the development of regional operating support platforms

In Latin America, execution of our strategy to renovate the beer category has continued and has delivered underlying performance in line with our expectations while laying a sound foundation for future growth. In the year, lager volumes ended 5% up on the prior year despite high comparative volume growth, particularly in the second half. Reported EBITA performance benefited from strong local currencies, particularly the Colombian peso which strengthened by 15% against the US dollar (on a full year average basis). There have been significant fixed cost productivity improvements across the business. Reported EBITA margin was down on prior year due to rising raw material input costs and a 40 basis point negative impact as a result of changes to the basis of recovering distribution costs. On an organic constant currency basis, EBITA growth was 6%, while revenue per hectolitre increased by 4% on a like for like basis. Significant capital investment was incurred to increase capacity, modernise production and logistics assets, upgrade returnable containers and improve product quality.

In **Colombia**, the brand portfolio upgrade continued with the launch of Redd's in the premium segment and the relaunches of Aguila and Aguila Light in the mainstream segment. Our Pony Malta brand was also relaunched with a new design and a new 350ml PET container. Premium lager volumes grew by over 60% in the year, largely due to the continued strong performance of Club Colombia. The new 500ml returnable bottle for Aguila and various PET packs for Pony Malta further helped to modernise and widen the appeal of the product range.

Trading conditions softened in the second half, as consumer credit interest rates continued to rise and inflationary cost pressures resulted in retail price increases. Nevertheless revenue per hectolitre improved by 4% on a constant currency basis with revenue management and a focus on price compliance assisting price and mix improvements.

Lager growth rates slowed in the second half of the year, ending up 4% for the full year. However, our share of the alcohol market increased by 190 basis points to 64.7%, gaining share mostly from local spirits.

Further gains were made in operating efficiencies and reducing overhead costs, in order to assist in offsetting rising input costs. The majority of the structural changes to the route-to-market and the product quality investments have now been implemented, while trade marketing capability has been enhanced, establishing a solid platform for future growth.

**+6%**

**EBITA growth on an organic constant currency basis**

The new Valle brewery was commissioned in March 2008, with an initial annual capacity of 3.2 million hl, which will bring supply and demand into better balance in the western region. Further capacity investment will be required at the Barranquilla brewery and at maltings plants in the coming year. During the year the juice business in Colombia was sold.

In **Peru** economic conditions have been favourable with annual GDP growth of nearly 9%. Lager volumes were up 8% on the prior year despite major disruptions to distribution due to mudslides and a severe earthquake. The market has become increasingly competitive with the entry of a second competitor in the economy segment. Our Pilsen Trujillo brand has been successfully repositioned nationally to combat low priced competition.

Premium volumes and share have improved with the relaunch of Cusqueña in the premium segment, which ended the year at 8% market share, partially offsetting the mix impact of the growth of the economy segment including Pilsen Trujillo. Revenue per hectolitre has improved 1% on a constant currency basis. Our overall market share ended the fourth quarter at 84% and the beer market has gained share of alcohol and now stands at 51%. The operation continues to enhance its brand portfolio and invest for future demand with capacity and quality upgrades. The renovation of containers and the distribution fleet is now largely complete and the programme of trade marketing enhancements is being rolled out.

Our **Ecuador** operations delivered a commendable performance despite lower economic growth, political uncertainty and torrential rains in the fourth quarter. The operation has focused on securing channel advocacy by the installation of over 5,000 coolers and our market mapping to identify further opportunities for growth is complete. The change in our route-to-market has commenced with positive reception in the areas affected. Lager volume growth of over 5% was driven by our flagship brand Pilsner, following its relaunch in October 2007, and the implementation of national pricing in the same month. The premium portfolio performed well led by the renovation of the Club brand, which has been successfully repositioned in the premium segment, whilst maintaining previous volumes. Beer's share of alcohol remained in line with the prior year at 41% and our lager market share improved by 80 basis points on a full year basis to 96%, despite aggressive pricing campaigns from our main competitor. Positive brand and pack mix and increased prices have boosted revenue.

In **Honduras** lager volume growth of 4% was fuelled by 10% growth in premium segment volumes, led by our brands Barena and Port Royal. Price compliance initiatives and our beer outlet and cooler expansion programmes contributed positively to volume growth. Revenue management was supported by premium volumes growing to over 50% of the portfolio. Renewed focus is now being placed on affordability and the attractiveness of our mainstream brands. Soft drinks reported growth of 9%, with our Tropical brand achieving growth of 23%, following a renewed imaging campaign. Our market share of soft drinks improved by 4% to 55% through improved sales execution activities, despite continuing competition in the soft drink market and the shift in mix to family one way packs.

In **Panama** lager volumes were up by 13% driven by the relaunch and upsizing of our mainstream brands Balboa and Atlas, implemented with a simultaneous price increase during October 2007. Share gains were strong and share of the beer market increased by 120 basis points on a full year basis to 85%. The positive impact of volume growth and price and mix benefits boosted revenue and were partially offset by increases in raw material costs.

**El Salvador** was impacted by tough economic conditions but total volumes grew by 1% with market share gains in both beer and soft drinks despite high levels of competition and high comparatives. The operation has also seen success in its premiumisation efforts with premium lager volumes up 9%, driven by Golden Light.

## Europe

Financial summary	Europe 2008	Europe 2007	%
Group revenue <sup>1</sup> (US\$m)	5,248	4,078	29
EBITA <sup>2</sup> (US\$m)	952	733	30
EBITA margin (%)	18.1	18.0	
Sales volumes (hl 000):			
– Lager	43,904	40,113	9
– Lager organic	43,401	40,113	8
– Other beverages	57	27	111

<sup>1</sup> including share of associates, US\$6 million (2007: nil).

<sup>2</sup> In 2007 before net exceptional costs of US\$24 million being profit on disposal of land in Italy of US\$14 million less restructuring costs of US\$7 million primarily in Slovakia and an adjustment to goodwill on acquisition of US\$31 million for Birra Peroni.

### Key focus areas

- Build value-enhancing, full brand portfolios in growth segments
- Further develop growing positions in high value export markets
- Innovate in product, pack and dispense systems
- Improve our in-store marketing
- Leverage our scale

Europe delivered another excellent result with total lager volume growth of 9% (organic 8%) within which premium volumes grew 11%. Volumes were particularly strong in Poland, Romania and Russia and were assisted by warm weather in the earlier months, but cycled an exceptionally mild winter in the second half of the prior year. Brewing raw material and packaging costs increased significantly. However, the pricing environment has shown some signs of improvement and with positive brand mix has resulted in constant currency revenue per hectolitre growing by 4%. This, together with

productivity improvements, has more than offset higher input costs and EBITA margin was up 10 basis points. Marketing expenditure has increased but has benefited from scale economies. Reported EBITA growth of 30% was impacted by currency translation gains and also included Royal Grolsch from mid February 2008. On an organic constant currency basis, EBITA growth was 15%.

In **Poland**, strong economic fundamentals underpinned growth of all alcoholic beverages. Our organic domestic lager volumes increased 11% (with inorganic growth of 12%) against industry growth of 7% and market share for the year was up 220 basis points to 40.8%. Tyskie and Zubr, Poland's two leading beer brands, grew volumes by 9% and 17% respectively, assisted by national consumer promotions, leveraging sponsorships and increasing on-premise distribution. Lech grew 12% supported by strong trade activation, utilising music and leisure associations. Premium brand Redd's, with its three flavour variants, grew 21% including sales of a new sleek can. We increased prices by an average of 3% across the portfolio, with a similar increase in constant currency revenue per hectolitre being achieved, continuing the trend started in the previous year. Trade marketing support was enhanced by new automated data interchange with our main distributors and the placement of additional coolers in the trade. Further capacity expansion brought total capacity to over 17 million hl, while current year sales volume was 14.4 million hl. In January 2008, we completed the acquisition of Browar Belgia.

In **Czech**, our strategy is to pursue value rather than volume in this mature market. Beer industry volumes were up less than 1% and within this our domestic volumes were marginally ahead. Focused channel segmentation, expansion in on-premise, increased pricing and premiumisation led to an increase in constant currency revenue per hectolitre of 5% and an EBITA increase despite significantly higher commodity prices. In the premium segment our national flagship brand Pilsner Urquell grew 3%, supported by exclusively branded on-premise outlets and Beer Theatre concepts in the modern off-premise channel. In the specialty segment, we introduced the Master brand with super-premium pricing, and the Frisco brand continued to grow, by 23%. In mainstream, Kozel's 19% domestic volume growth offset Gambirinus's 5% decline as our average 6% price increase prompted some switching. Kozel continued developing as a successful regional brand with annual volumes of 2.8 million hl, up 12% regionally. Significant cost productivity has been

achieved in marketing and distribution by leveraging scale and rationalising media activities.

In **Russia**, beer industry volumes grew 10% and share of the total alcohol market increased 3% to 32%. Rapid growth in real incomes is driving share gains for the premium beer segment and our volumes were up 14% as we increased market share. We expanded national retail coverage with an increase of 300 staff in the sales force, and installed over 75,000 coolers. We achieved average price increases of 11% across our portfolio over the year. Our biggest brand Zolotaya Bochka grew 16% with strong marketing support. Miller Genuine Draft was up 9%, to almost 1 million hl, driven by expanding distribution of the new half litre bottle, and Kozel grew 13%. Redd's has new primary and secondary packaging, including a new can, and grew by 22%. The second production site at Ulyanovsk is on track for commissioning in May 2009 and its initial capacity has been increased to 4 million hl. Until then, with existing operations at full capacity, contract brewing arrangements have been put in place over the summer period.

# +15%

EBITA growth on an organic constant currency basis

In **Italy**, Birra Peroni was the fastest growing brewer in 2007 with a share gain of 100 basis points in a flat domestic market. Our branded volumes grew 5% with Peroni and Nastro Azzurro up 7% and 8% respectively. This growth has come from success in the on-premise channel in the North particularly with Peroni draught and the 330ml Nastro Azzurro bottle. Both brands have leveraged national sponsorships in sport, music and film festivals, while premiumisation has been supported by international design events. Growth was achieved in all channels, assisted by our own distribution, and two price increases were successfully implemented, the latest being 8% in January 2008. The Rome and Bari breweries are both being expanded to satisfy ongoing export demand and total capacity in Italy will be 6.3 million hl.

In **Romania**, industry volumes grew 9% supported by increased real wages and disposable income, and our new mainstream PET offerings. Our volumes were up 28% following capacity increases, and our share grew by 3.5% to 25.4%. Average price increases of 5% were achieved and all brands enjoyed significant

growth. Timisoreana grew 43%, extending its reach in the off-premise channel with our new PET packaging, and secured its number one position in the market with an estimated 14% share. The Ursus Premium brand maintained its leadership in the premium segment, with 8% growth, and has increased penetration in upscale on-premise outlets. All brands benefited from better point of sale execution and a new distributor incentive scheme, with intensive display and tailored service packages in all channels. Current capacity expansions will bring overall capacity to 6.8 million hl.

In **Hungary**, consumers have been hit hard by the fiscal austerity measures. The beer market grew during the early summer months with the introduction of PET offerings, but volumes were lower in the fourth quarter. In these conditions, our volumes were level and our share was up 140 basis points. Our focus has been on productivity and efficiencies which have improved profitability.

In the **United Kingdom**, Miller Brands' volumes grew 36% in a declining market, driven by innovative marketing and increased distribution, with Peroni Nastro Azzurro up 39%. Performance was also supported by double digit volume growth for both our Polish brands, Lech and Tyskie.

In the **Netherlands**, our integration activities for our recent acquisition, Royal Grolsch, have commenced.

## North America

Financial summary	North America 2008	North America 2007	%
Group revenue (US\$m)	5,120	4,887	5
EBITA <sup>1</sup> (US\$m)	477	375	27
EBITA margin (%)	9.3	7.7	
Sales volumes (hl 000):			
- Lager			
excluding contract brewing	48,211	46,591	3
- Lager contract brewing	7,489	8,907	(16)
- Soft drinks	87	84	4
- Lager domestic sales to retailers (STRs)	45,434	43,897	4

<sup>1</sup> Before exceptional costs of US\$51 million in relation to retention arrangements entered into following the announcement of the proposed joint venture with Coors Brewing Company and other integration costs (2007: nil).

### Key focus areas

- Grow Miller Lite share of the light category
- Strengthen the worthwhile brand portfolio
- Maximise value of the heritage and legacy brands
- Improve influence with key distributors
- Reduce operating costs
- Empower the organisation to pursue opportunities with a challenger mindset

Miller Brewing Company made progress against all its strategic objectives, and delivered strong earnings growth for the fiscal year from increased volumes, an industry-leading increase in revenue per barrel of 4.0%, and effective cost reduction despite higher fuel and raw material input costs.

Miller continued to migrate its brand portfolio to higher margin, higher growth segments of the market while enhancing value for distributors and retailers, and its flagship Miller Lite brand posted volume gains with segment leading pricing. Increased spending on core brand marketing and innovation was funded in part from disciplined cost reduction and efficiency savings. Notably for the first time, Miller was recognised as the number one by distributors for overall supplier performance in the US industry-wide Tamarron survey.

Total US domestic beer industry shipments to wholesalers (STWs) increased 1.1%, while total import shipments were down 2.5% for the year. Craft beers continued

their strong growth, up 12% over prior year. Against this backdrop, Miller's US domestic shipments to retailers (STRs) were up 3.1% when adjusted for one additional trading day against the prior year (up 3.5% unadjusted) and grew 0.7% on an adjusted organic basis (excluding Sparks and Steel Reserve). Miller's US domestic sales to wholesalers (STWs) grew 3.9% on an unadjusted basis, and were up 1.5% on an organic basis. International shipments fell slightly.

Miller Lite STRs increased by 1.1% (1.5% unadjusted) following a return to its intrinsic brand marketing platform. Miller High Life sales increased 1.1% (1.5% unadjusted) on the strength of its successful 'Take Back the High Life' campaign, which helped reverse a three-year decline in the franchise. Miller Genuine Draft declined by 10.6% adjusted (10.2% unadjusted) for the year in a declining segment. Milwaukee's Best continued to experience declines in the economy sector, while Icehouse and Mickey's volumes grew, helping to offset partially the declines of both MGD and Milwaukee's Best.

**+4%**

increase in domestic revenue per barrel

The national launch of Miller Chill exceeded expectations with the brand selling approximately 500,000 barrels during the year, and Miller's worthwhile portfolio overall grew by nearly 50%. Sparks, Peroni and Leinenkugel's delivered strong full year double digit growth. To capture the continuing growth and consumer shift towards light beers, Miller test-marketed new light beer brands Miller Genuine Draft 64 (MGD 64) and Miller Lite Brewers Collection, which, following a positive reaction, will be rolled out nationally in the next year.

Miller strengthened its chain sales capabilities and enjoyed a 4.6% increase in chain sales volume. The success of its "model market" operations, a semi-autonomous management framework, in Texas and Florida/Georgia contributed to share growth in Texas and share stabilisation in the Southeast.

Total revenue grew 4.8% to US\$5,120 million, while domestic revenue was up 7.4% to US\$4,578 million. Contract brewing revenue declined 15.8% due in part to the purchase of Sparks and Steel Reserve (which were previously brewed under contract) from McKenzie River in 2006. Domestic revenue per barrel increased 4.0% due to price increases

of 2.4% for the year complemented by the mix benefits from the successful growth of the worthwhile portfolio, including Miller Chill.

Through continued brewing efficiencies and cost savings derived from successful projects, the company was able largely to offset commodity cost increases, resulting in an increase in domestic cost of goods sold per barrel of low single digits. Marketing spending increased upper single digits.

EBITA for the period increased 27% to US\$477 million driven primarily by the strong pricing, increased volume, effective management of fixed costs, and including a non-recurring gain of US\$33 million from the October 2007 settlement of a dispute with the Ball Metal Beverage Container Corporation. This resulted in a one-time payment to Miller of some US\$70 million, a portion of which is attributable to our contract brewing partners. The gain includes an amount of US\$16 million relating to materials supplied to Miller during the prior year and US\$17 million for other non-recurring contractual matters.

In preparation for the proposed joint venture with Coors Brewing Company, which remains subject to regulatory clearance, a charge of US\$51 million has been recorded by Miller for staff retention arrangements and certain integration costs, and this has been treated as an exceptional item. The group expects to record further charges up to completion of the transaction which is not anticipated to occur before the middle of calendar year 2008. These amounts were included in the previously announced estimates of costs associated with the proposed joint venture.

## Africa and Asia

Financial summary	Africa and Asia 2008	Africa and Asia 2007	%
Group revenue <sup>1</sup> (US\$m)	3,367	2,674	26
EBITA (US\$m)	568	467	22
EBITA margin (%)	16.9	17.5	
Sales volumes <sup>2</sup> (hl 000):			
– Lager	83,998	68,067	23
– Lager organic	77,976	68,067	15
– Soft drinks	6,977	13,680	(49)
– Soft drinks organic	6,977	6,301	11
– Other alcoholic beverages	6,022	6,253	(4)

<sup>1</sup> Including share of associates, US\$1,514 million (2007: US\$1,219 million).

<sup>2</sup> Castel volumes of 17,845 hl 000 (2007: 15,407 hl 000) lager, 13,480 hl 000 (2007: 12,744 hl 000) soft drinks are not included. In China, the non-core water business was disposed of in May 2007, impacting total soft drink volumes.

### Key focus areas

- Invest in brewing and distribution capacity across Africa
- Expand portfolio of affordable and premium brands in Africa
- Establish an Asian hub to consolidate, and build on, the Asian footprint
- Further build market and brand leadership in China and enhance profitability
- Develop our operations across India, Vietnam and Australia

The strong growth in Africa and Asia continued, with lager volume growth of 23% (organic growth of 15%) and reported EBITA growth of 22% (organic constant currency growth of 16%). EBITA margin decreased from 17.5% to 16.9% as a result of the faster growth in the lower margin Asia markets, notwithstanding an increase in Africa margins.

### Africa

Lager volumes for Africa, excluding Zimbabwe, grew 12% (organic growth of 6%) for the year as did total volumes, benefiting from continued economic growth in all countries, rising disposable incomes, and ongoing brand renovation.

**Tanzania** posted lager volume growth of 8% in a competitive market and our brand portfolio, sales force and route-to-market have been strengthened to capture further growth. Growth has been led by Ndovu Lager following its re-formulation as a full malt beer. Eagle, our sorghum based lager, was launched in the North East with early success and positive consumer response. Rising input costs were mitigated by improved operating efficiencies and a

stable local currency. We have commenced construction of a new 0.5 million hl brewery in the Southern region.

**Mozambique** enjoyed its fourth consecutive year of strong growth, with lager volumes advancing 8%. The brand portfolio is well balanced and differentiated and affordable draught beer continues to deliver ahead of expectation by reaching new consumers. Major capacity enhancements were completed at both the Maputo and Beira breweries, with operating efficiencies improving, and further depots were opened during the year. Construction of the new road infrastructure along the Zambezi River will yield further growth opportunities in the North and as a result we have started building a new 0.5 million hl brewery in Nampula.

# +16%

EBITA increase on an organic constant currency basis

**Botswana** grew strongly after two disappointing years, with overall growth of 15% in aggregate volumes of lager and soft drinks. Key to this result was the successful renovation of St. Louis Lager, the market leader, and the introduction of a new 750ml returnable bottle. The returnable bottle has delivered ahead of expectation in this predominantly one way pack market, and offers the consumer better value for money.

**Uganda's** lager volumes grew 4% after three prior years of exceptional growth. After excellent growth in recent years, volumes of our sorghum-based Eagle brand declined following an excise increase, while our mainstream lager brands Nile Special and Club grew in mid double digits. The market continues to grow and has nearly doubled in the last four years, driven by the success of our portfolio extensions.

**Angola's** economy continues to grow strongly at approximately 20% per annum. The infrastructure, however, is unable to support the increasing demands for goods and services and our total volume growth of just under 10% was constrained by both the lack of infrastructure and limited capacity. Total volumes for lager and soft drinks for the year were almost 3.5 million hl, including lager volumes of the recently privatised Empresa De Cervejas N'gola in which we invested at the end of last year. We continued to expand our lager and soft drinks capacity, supported by new local manufacture of glass and cans by global suppliers.

In the premium segment, we have launched Peroni Nastro Azzurro in five African markets with good initial results and plan to roll out the brand to other countries in due course. Grolsch will be launched in certain key markets.

Traditional sorghum-based beer returned to growth (excluding Zimbabwe) this year, with excellent results from both Malawi and Botswana. The category continues to play an important part in our African portfolio and is less vulnerable than lager to international commodity cost increases given the extensive use of local raw materials.

**+63%**

increase in volumes of the Snow brand

**Castel** enjoyed another strong year with total volumes up 11% – lager 16% and soft drinks 6%. Ethiopia and Angola continued to provide above average growth for the group, while further growth was captured in its key markets of Cameroon, Gabon and Morocco. The growth in Angola is linked to underlying economic prosperity, while in Ethiopia the growth has come largely from market place activities including portfolio segmentation and pack innovations. Cameroon volumes advanced in double digits in a competitive market. While underlying EBITA growth was strong, the strength of the Euro further assisted reported performance in US dollars.

EBITA margin for our Africa business advanced despite the impact of rising commodity costs. These impacts on the business are limited due to significant volume growth in soft drinks, which are less dependent on agricultural inputs, and our sorghum beer, which is based on local supply.

#### Asia

In China, our associate CR Snow continued to outperform the industry with full year lager volume growth of 25%, representing organic growth of 15%, and full year market share improving to 18%. Momentum for the first half (where CR Snow's organic lager volume growth of 30% was well above the industry and peer group) slowed in the second half due to the combined effect of a severe winter, reduced discretionary spend and price increases in this period. The Snow brand is now China's largest lager brand and it enjoyed exceptional growth again this year of 63%.

EBITA grew but increases in commodity prices and the acquisition of a number of breweries, which typically depresses profits in the initial years, reduced margins. Capacity was further increased with the construction of greenfield breweries and upgrades to existing plants. The non-core water business was disposed of in May 2007 impacting total soft drink volumes.

**India** grew strongly with lager volume growth of 23% (organic increase of 19%) following strong growth in the prior year. Total volumes of 4.4 million hl were achieved, with national market share gain of 1% despite having no meaningful presence in the key Southern state of Tamil Nadu. The Foster's business has been fully integrated and the brand led our growth as it was rolled out more widely. The strong beer segment continues to grow ahead of mild beer, with our brands continuing to do well.

Our new Asia joint ventures are building momentum, with **Australia** ahead of expectation due to strong performances from Peroni Nastro Azzurro, MGD and the recent successful launch of Miller Chill. We recently announced our intention to build a greenfield brewery in New South Wales and we are integrating the recently acquired Bluetongue brewery. In **Vietnam**, volumes are improving with the addition of Redd's to the portfolio, and we have commissioned a can line to expand our pack range.

## South Africa

Financial summary	South Africa Beverages 2008	South Africa Beverages 2007	%
Group revenue <sup>1</sup> (US\$m)	4,446	4,274	4
EBITA (US\$m)	1,026	1,102	(7)
EBITA margin (%)	23.1	25.8	
Sales volumes (hl 000):			
– Lager	26,526	26,543	–
– Soft drinks	16,657	15,986	4

<sup>1</sup> Including share of associates, US\$490 million (2007: US\$ 447 million).

### Key focus areas

- Continue to develop a strong and differentiated portfolio of brands
- Expand our direct distribution reach and capability
- Continuously improve the supply chain and manufacturing
- Lead and support local economic development

	South Africa Hotels and Gaming 2008	South Africa Hotels and Gaming 2007	%
Revenue (US\$m) <sup>1</sup>	396	340	16
EBITA (US\$m)	141	100	41
EBITA margin (%)	35.6	29.3	
RevPAR (US\$) <sup>2</sup>	76.10	62.21	

<sup>1</sup> Share of associates revenue.

<sup>2</sup> Revenue per available room.

### Beverages

Economic growth in South Africa slowed in the second half of the year as the effects of higher fuel and food costs as well as increased levels of household debt in a higher interest rate environment slowed consumer spending. Gross domestic product growth for calendar year 2007 of 3.9% was down on the 5% growth rate for 2006.

Volume performance was satisfactory with lager volumes in line with those of the prior year, notwithstanding the loss of our licence for the Amstel brand in March 2007 (9% of volumes in the year to March 2007). Soft drinks were 4% up despite cycling tough comparatives in the prior year, when volumes grew by 7%, and the carbon dioxide shortages experienced in the country over the fourth quarter of this year, and despite a decline in volumes in the lower margin alternative beverage category, primarily due to the discontinuation of the Bibo fruit cordial and Milo brands.

Volumes grew in both the mainstream lager and flavoured alcoholic beverage (FAB) categories. Robust growth in Hansa Pilsener and Castle Milk Stout underpinned mid single digit growth in the mainstream category and strong growth across the Brutal Fruit range contributed to the double digit increase in FAB volumes. In the premium segment, we successfully launched our new brand, Hansa Marzen Gold, Castle Lite grew strongly and Peroni Nastro Azzurro volumes more than doubled, but this did not fully offset the anticipated loss of premium volumes as the competing product re-entered the market.

Revenue grew by 6% on a constant currency basis. Price increases were at a level somewhat below inflation for both lager and soft drinks, and revenue growth was constrained by adverse mix effects in lager, driven by the swing out of higher priced premium brands into mainstream.

Higher raw material input costs in the beer business placed margins under pressure. Increasing international commodity prices led to a large increase in key brewing raw materials, and packaging costs rose on the back of higher energy and oil prices. Glass costs were also up significantly following the importation of glass in the current year at a premium to local supply, due to capacity constraints at local glass manufacturers.

Distribution costs rose by over 30% in the current year. Higher international crude oil prices together with the depreciation of the rand drove South African diesel costs up by some 47% in the year to March 2008. This was exacerbated by incremental distribution costs associated with servicing the 16% increase in main market outlets (totalling 23,400 outlets in the full year) which is in line with our direct distribution initiative.

# 23%

of total premium volumes contributed by Hansa Marzen Gold

EBITA on a constant currency basis for the year was 6% lower than the prior year, driven primarily by higher raw material input and distribution cost increases. In addition, the EBITA impact of the loss of the Amstel licence is estimated at approximately US\$50 million for the year driven by adverse mix, incremental investments in marketing and new products and packaging development. The competitor product re-entered the South African market in the second quarter of the

financial year. EBITA benefited from some foreign currency gains on contracts related to procurement. Overall EBITA margin decreased by 270 basis points to 23.1%.

Good progress was made in the phased replacement of the 750ml returnable bottle population for our mainstream brands and by March 2008 all but two of our breweries were producing product in the new bottle. The market has reacted positively to the modernised new bottle, contributing to a resurgence in growth of the mainstream category. This renovation programme is scheduled to be complete by September 2008. The phased introduction of 430 million new bottles has added complexity to the supply grid which has resulted in increased transport expenditure.

There were a number of new product launches and pack renovations in the year. The May 2007 launch of Hansa Marzen Gold proved to be very successful and contributed over 23% of total premium sales in the year. Innovation in the FAB category saw two new brands being launched in the last quarter of the financial year. Sarita Ruby, a dry, red, apple-flavoured FAB and Skelter's Straight, a citrus flavoured offering, were launched in February 2008 and March 2008 respectively. Both the Hansa Pilsener and Castle brands received label redesigns in the year to coincide with the introduction of the new 750ml returnable bottle. In the premium segment, the Peroni Nastro Azzurro range was extended to include draught, 330ml cans and a new 660ml returnable bulk pack.

Despite the slow progress by local authorities in the granting of retail liquor licences, our Mahlasedi taverner programme trained some 3,400 taverners during the year, bringing the total number to date to over 13,400. This is in line with our commitment to invest US\$14 million in this initiative over five years. Administrative delays at local government level continue to hamper the progress of liquor licensing across the country.

The Department of Trade and Industry issued the final Broad Based Black Economic Empowerment (BBBEE) Codes of Good Practice in early February 2007. The liquor industry's formulation of a Sector Code had been suspended pending the publication of the BBBEE Codes, but resumed in mid 2007 with the active involvement of the Department of Trade and Industry (DTI). The DTI has required that the industry involve a very broad group of stakeholders in the process. It is anticipated that the Sector Code will be finalised towards the end of calendar year 2008.

**Appletiser** continued to show strong volume growth of 18%, arising mainly from its international markets

**Distell's** results benefited from improvements in both domestic and international volumes. Domestic sales volume increases have been driven by cider brands and the ready-to-drink categories, despite shortages in the supply of packaging materials and carbon dioxide. Margins were also improved through operating efficiencies.

#### Hotels and Gaming

SABMiller is a 49% shareholder in the Tsogo Sun group. The financial performance of Tsogo Sun continues to be strong. The gaming industry in South Africa has grown steadily, with real growth in casino win being experienced by all participants. However, economic circumstances in recent months indicate a slowdown in activity.

The South African hotel industry has again enjoyed strong Revpar growth as a result of a robust local economy and growth in international arrivals. Increased demand coupled with limited capacity growth, has assisted Tsogo Sun in achieving a year on year increase in Revpar of 24% in constant currency.

The improved level of trading, assisted by control of costs, resulted in strong growth in EBITA and margins.

# Sustainable development: Making a difference through beer

Managing sustainable development issues is an integral part of a successful global business. Our progress in this area is overseen by the Corporate Accountability and Risk Assurance Committee (CARAC).

## Sustainability and business

With a heritage rooted in Africa – a continent with 66% of the world's poor and 315 million people living on less than a dollar a day – we are very conscious of our responsibilities to society. In itself, business activity serves a social purpose – to provide the goods and services that society wants. As long as markets are competitive and free, companies will succeed and make profits only when they manage relationships effectively, use resources efficiently and meet society's needs.

Business is also part of society with a comprehensive set of relationships with all the many individuals involved in its activities. Business is at one and the same time an employer, a customer, a supplier and a taxpayer and the interests of business and the wider community are inextricably linked. This is perhaps truer for our business than for many multinational companies as beer is typically a local product: brewed locally, sold locally and consumed locally.

Accordingly, the health and prosperity of the communities in which we operate is intimately linked to our ability to grow profitably. But this only holds true if we operate in a responsible and accountable way. Behaving responsibly towards all our stakeholders is part of our beliefs and fundamental to building sustainable markets.

## Making a difference through beer

The main way in which we add value to the economies, communities and environments in which we operate is by being a responsible and profitable business. Through employment, taxation and the purchasing of goods and services, we make a significant contribution to local economic development.

One example of our influence on the economy comes from South Africa where, during the year, we recalculated our impact using the government's economic data. Here we directly employ more than 9,000 permanent employees, creating an estimated 48,000 jobs among direct suppliers and as many as 378,000 full-time jobs (3% of total employment) in South Africa as a whole. Total household income directly and indirectly related to SAB's operations, amounts to just over US\$1 billion.

US \$5,291m  
paid in direct and excise taxes

But the picture is broader than providing jobs or income. For example, the United Nations has estimated that a lack of access to basic water and sanitation services alone deprives sub-Saharan Africa of a further 5% of GDP. Programmes linked to our sustainable development priorities – in particular, engaging with communities in responsible water management, HIV/Aids testing and treatment, enterprise development through supply chain management and corporate social investment – also contribute indirectly to economic development.

Through running a successful business and taking these issues seriously, we are contributing to development and to meeting the United Nations Millennium Development Goals (MDGs). In 2007, we underlined our commitment by becoming a signatory to the Declaration on the Millennium Development Goals. This recognised the role business has to play in meeting the MDGs and acknowledged that while progress has been made, the international community must accelerate its efforts if they are to be met by 2015.

We also remain committed to the 10 principles of the United Nations Global Compact. During the year we identified opportunities for leadership where we will focus our global efforts: discouraging irresponsible drinking, making more beer but using less water and enterprise development.

## Discouraging irresponsible drinking

In the last year we have established a comprehensive Alcohol Framework. This builds on our previous Alcohol Manifesto and provides a globally consistent understanding of our beliefs on alcohol to ensure a consistent philosophy that underpins our work and guides our everyday decisions. In June we joined more than 40 other businesses and non-governmental organisations (NGOs) to become a charter member of the European

Alcohol and Health Forum. This focuses on concrete actions to reduce harmful drinking in the European Union, including the prevention of under-age drinking. Through our involvement in the International Center for Alcohol Policies, we have also contributed to the advancement of responsible marketing practices around the world. In Africa we are working with several governments, NGOs and public health organisations to develop national alcohol policies to reduce alcohol-related harm. As a result of these efforts, Lesotho adopted its first national policy in October 2007. Policies are nearing completion in Swaziland, Uganda, Zambia, Malawi and Ghana.

## Enterprise development

One of the dilemmas of a globalising world is the increasing dependence on global supply chains which offer economies of scale through a smaller number of higher volume suppliers. While this has its advantages, it also has a downside for smaller, national suppliers of goods and services.

10,500

farmers engaged in our smallholder programmes

We believe that genuinely free trade benefits all, especially the developing world. However, there are factors which strengthen the case for local sourcing models, such as improved access to quality raw materials. We manage our supply chains with a view to the long-term benefits to our operations. These encompass the availability of key brewing inputs such as malted barley and the stimulus such purchasing gives to local economic growth. On this basis, we have invested extensively in small-scale supplier relationships where these are possible, particularly with smallholder farmers in Africa, India and, increasingly, Latin America, in order to build local agricultural capacity and secure supplies of critical raw materials. As result we have created, or improved, 10,500 jobs for farmers working in these regions.





For our full Sustainable Development Report go to [www.sabmiller.com](http://www.sabmiller.com)

Our efforts on corporate social investment also contribute to economic development, For example our operations in South Africa have been supporting entrepreneurs for over 10 years. KickStart is a project that promotes business awareness and entrepreneurship among young people by providing training, grants, mentorship and assistance during the setup phase of a new business. Since its inception, SAB Ltd has invested over US\$5 million in KickStart, equipping almost 22,700 young adults with business skills and helping them to start up nearly 3,300 businesses. This approach is now being applied elsewhere – in Botswana for over four years and, more recently, Colombia.

**Making more beer but using less water**

In July 2007 we signed the CEO Water Mandate, an initiative of the United Nations Global Compact, which committed SABMiller to leadership in water management. The principles of the Mandate fit well with our own approach to water management and we look forward to working further with other companies to make progress in this area.

**4.6**  
hectolitres of water per hectolitre of beer produced

Current water consumption for our brewing operations is 4.6 hectolitres of water per hectolitre of beer produced. This compares favourably to our competitors, and the industry benchmark of 5.0 hectolitres of water per hectolitre of beer published by the United Nations Environment Programme. However, our performance has remained static for the last few years. In the next year we will be increasing our focus in this area to reduce our water use.

**Broader environmental performance**

In the last 12 months we have reduced the use of energy in our brewing operations marginally from 151 to 150 megajoules per hectolitre with related carbon emissions of 13.7 kilograms/hectolitre. We are working to increase the amount of renewable energy we produce and during the year this figure increased to 1.5% of

total plant energy use, up from 0.9% reported last year, largely through the combustion of biogas from water treatment plants. We continue to achieve high levels of reuse with over half of our beers being sold in reusable packaging and we recycled/reused over 96% of our waste across the group as a whole.

We are committed to high standards of environmental performance in all new capital investments. During the year we established a new set of guidelines for all major capital investments. These state that all new breweries will aim to be within 10% of the current group best in terms of their performance on water, energy and carbon and waste. In this way, we are making sure we consider the long-term sustainability of all new plants.

**Valuing and empowering our people**

Attracting and retaining good people remains a critical component of supporting our growth and bringing new skills and knowledge to the organisation, and during the year staff each received an average of 3.9 days training. Our employees cover a vast mix of cultures, beliefs and backgrounds and we both value and respect this diversity. While 19% of our total workforce is female, women account for 26% of our management and executive grades, up from 22% reported last year.

**Health and safety**

During the year we recorded 1,446 industrial injuries, up from 1,091 reported last year while overall days lost through injury is down to 12,809 from 13,720. We have revised last year's figure for days lost to improve accuracy. It is with regret that we report two fatalities in our business during the year. The first occurred in SABMiller India and related to an accident at our Haryana brewery, and the second was one of our truck drivers in South Africa, the result of gunshot wounds from an attempted hijack.

**Sustainable development governance**

During the year our sustainable development framework has been further embedded into our operations. Our local managing directors are responsible for integrating sustainable development considerations into their business plans, as appropriate for their own markets. In particular, we encourage our local

operations to consider how their business can add value to our three global focus areas, namely discouraging irresponsible drinking, managing water responsibly and promoting enterprise development.

In March 2008 we agreed a new Code of Business Conduct and Ethics to which all employees must adhere. This Code represents a clear, conscious and personal commitment to doing what is right. The Code will be introduced across the group in the coming year.





*Using water efficiently within the Kgalagadi brewery in Botswana.*

# Overview of progress

Our 10 sustainable development priorities focus us on the opportunities and risks that arise from our environmental, social and economic footprints. The table below shows why we consider each to be a priority, the progress we have made and our future direction.

Priority	Why it is a priority	Targets we set last year	Progress we have made	Targets for this year
 <p><b>Discouraging irresponsible drinking</b></p>	<p>Our beer adds to the enjoyment of life for the overwhelming majority of consumers. We care about the harmful effects of irresponsible alcohol consumption and we engage stakeholders and work collectively with them to address irresponsible consumption.</p>	<ul style="list-style-type: none"> <li>• Evolve the Alcohol Manifesto.</li> <li>• Help selected employees to become more fluent on alcohol matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Further developed our Alcohol Manifesto into our new Alcohol Framework.</li> <li>• Published a revised Code of Commercial Communications.</li> <li>• Revised Employee Alcohol Policy.</li> <li>• Established position papers on key alcohol issues.</li> <li>• Helped several African governments to produce national alcohol policies.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct an alcohol education programme for all SABMiller employees.</li> <li>• Continue to engage with key alcohol stakeholders at the local and international level.</li> <li>• Launch a website to provide accurate and balanced resources on alcohol for our consumers, employees and other interested stakeholders.</li> </ul>
 <p><b>Making more beer with less water</b></p>	<p>Water quality and availability are under threat in some parts of the world. We aim to be more efficient in our water use, understand our watersheds and engage with our suppliers. This will cut costs, reduce risks and benefit local communities.</p>	<ul style="list-style-type: none"> <li>• Develop a watershed mapping tool to evaluate the risks and opportunities associated with water availability and quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Undertook high-level study into long-term water availability for all sites.</li> <li>• Developed and introduced a watershed mapping tool.</li> <li>• Established guidelines for new capital projects.</li> <li>• Signed CEO Water Mandate.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve water efficiency.</li> <li>• Undertake watershed mapping exercises for around 30 sites in areas at risk of long-term water stress.</li> <li>• Undertake a detailed water footprinting exercise to evaluate the water use in our supply chain.</li> </ul>
 <p><b>Reducing our energy and carbon footprint</b></p>	<p>We use energy to produce and transport our products. We must become more efficient, manage our carbon footprint and explore cleaner sources of energy. This will save money and reduce our greenhouse gas emissions.</p>	<ul style="list-style-type: none"> <li>• Develop carbon footprint methodology to understand and manage emissions.</li> <li>• Further evaluate the options for using renewable energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Quantified the carbon footprint of one international brand.</li> <li>• Established guidelines for new capital projects.</li> <li>• Renewable energy investments continued, for example our Hungarian business, Dreher, inaugurated its biogas plant, cutting traditional energy consumption by 10%.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve energy efficiency.</li> <li>• Develop a flexible carbon footprinting tool to evaluate the carbon impact of business decisions such as choice of packaging material or distribution method.</li> <li>• Partner Coca-Cola to trial 'eKO' low greenhouse gas emission fridges in our ABI operations in South Africa.</li> </ul>
 <p><b>Packaging reuse and recycling</b></p>	<p>Packaging protects our products but has wider impacts. We are reducing the weight of our packaging, reusing bottles and encouraging recycling, thereby saving money and raw materials and reducing pressure on local waste services.</p>	<ul style="list-style-type: none"> <li>• Evaluate where existing packaging materials can be substituted with better alternatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduced lighter bottles, including the European bottle for Miller Genuine Draft.</li> <li>• Integrated minimum standards for materials into our product development process to ensure quality and good environmental credentials.</li> <li>• Undertook successful trials of biodegradable shrink-film in Romania and Poland.</li> </ul>	<ul style="list-style-type: none"> <li>• Trial biodegradable shrink-wrap in further markets with different climate conditions e.g. South Africa.</li> <li>• Identify more sustainable packaging materials and inks.</li> <li>• Evaluate recycling and reuse infrastructure for markets which may introduce PET packaging.</li> </ul>
 <p><b>Working towards zero waste operations</b></p>	<p>Much of our waste can be a valuable resource for farmers and food producers as well as being a potential energy source. We aim to minimise the amount of waste we send to landfill, so saving money and reducing its environmental impact.</p>	<ul style="list-style-type: none"> <li>• Review best options for the reuse and recycling of brewery waste streams, initially with Miller in the USA.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed review and several operations, including Miller, are now approaching 'zero-waste' to landfill.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the percentage of waste going to landfill.</li> <li>• Investigate new opportunities for our brewing wastes, including renewable energy.</li> </ul>

Priority	Why it is a priority	Targets we set last year	Progress we have made	Targets for this year
 <p><b>Building supply chains that reflect our own commitment</b></p>	<p>The effects of our purchasing are felt around the world. We engage with our suppliers to secure supplies of quality goods and services, reduce reputational risks, provide employment and improve standards of living in developing communities.</p>	<ul style="list-style-type: none"> <li>• Incorporate Responsible Sourcing Principles into supplier contracts.</li> <li>• Field-test good practice agricultural principles.</li> <li>• Extend the coverage of our supplier engagement workshops.</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible Sourcing Principles becoming part of the supplier evaluation process.</li> <li>• Reviewed and tested guidance on agricultural practice. Now carrying out wider review of smallholder farmer activity.</li> <li>• Held regional workshops with key European suppliers.</li> <li>• 10,500 farmers involved in smallholder programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Review our smallholder farmer programmes to understand the business and social value added and expand and improve their impact.</li> <li>• Include social, ethical and environmental criteria in evaluating suppliers of raw materials such as packaging.</li> </ul>
 <p><b>Benefiting communities</b></p>	<p>The prosperity of communities and that of our operations are codependent. Our corporate social investment activities aim to improve the quality of life for local people, helping to build strong relationships with suppliers, consumers and our employees.</p>	<ul style="list-style-type: none"> <li>• Ensure that every operation has a formal corporate social investment strategy.</li> <li>• Improve the measurement and evaluation of strategic community investment.</li> <li>• SAB Ltd to increase employee involvement in community volunteering to 65%.</li> </ul>	<ul style="list-style-type: none"> <li>• All operations now have a formal strategy in place.</li> <li>• Continued to embed our systems for data collection.</li> <li>• US\$30 million cash invested in corporate social investment.</li> <li>• Employee volunteering at SAB Ltd estimated to have reached 65%, although data capture needs to be improved.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the focus of our activities on our strategic CSI issues of water, enterprise development and HIV/Aids.</li> <li>• Continue to expand our entrepreneurship programmes and identify the value added to improve the quality of these activities.</li> </ul>
 <p><b>Contributing to the reduction of HIV/Aids</b></p>	<p>The HIV/Aids pandemic is particularly relevant to our operations in Africa. We have programmes in place for our employees, their families, local communities and suppliers and we share our experiences with our operations around the world. This helps us to ensure the wellbeing of our staff and the stability of our workforce.</p>	<ul style="list-style-type: none"> <li>• Improve the percentage of spouses and dependants on treatment by continuing to address the fear and stigma engendered by the disease.</li> <li>• Run education workshops for community organisations and suppliers in Tanzania and Zimbabwe.</li> <li>• Introduce awareness initiatives in two operations outside Africa.</li> </ul>	<ul style="list-style-type: none"> <li>• Held education workshops in Tanzania, Zimbabwe, Uganda and Zambia.</li> <li>• Published a briefing paper 'Living and working with HIV/Aids'.</li> <li>• Supported and presented at the first 'Business against Aids' round table in Russia.</li> <li>• Percentage of spouses and dependants on treatment rose from 11% to 14%, with further improvement needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase participation of employees and their spouses in annual voluntary counselling and testing.</li> <li>• Increase the percentage of HIV positive spouses and dependants on managed healthcare programme.</li> <li>• Increase number of peer educators in our businesses.</li> </ul>
 <p><b>Respecting human rights</b></p>	<p>We conduct our business with respect for national cultures and different local laws, norms and traditions. We promote the values of the international community, notably the Universal Declaration of Human Rights.</p>	<ul style="list-style-type: none"> <li>• Ensure that all group companies have embedded our human rights principles in their local human resources policies.</li> </ul>	<ul style="list-style-type: none"> <li>• All group operations have incorporated human rights principles into their local policies.</li> <li>• Principles now being introduced into the value chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce our new Code of Business Conduct and Ethics.</li> <li>• Contribute to human rights dialogues on a national and global level.</li> </ul>
 <p><b>Transparency in reporting our progress</b></p>	<p>External stakeholders should be able to access information easily to enable them to assess our performance against stated values and to make informed judgements about the business. We aim to improve our reporting in response to stakeholder needs.</p>	<ul style="list-style-type: none"> <li>• Increase frequency of internal reporting by operations to every six months.</li> <li>• Encourage the production of local sustainable development reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Held stakeholder dialogue sessions on our approach to sustainable development.</li> <li>• Instituted twice-yearly reporting on progress on the 10 priorities.</li> <li>• Local sustainable development reports becoming more consistent, using our 10 priorities as a framework.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct detailed 'deep dive' investigations on sustainable development issues throughout the value chain in four of our emerging markets.</li> <li>• Improve qualitative dialogue between operations through training sustainable development champions within each region.</li> </ul>

# Corporate governance

## 1. The directors' report on corporate governance

The directors are committed to maintaining high standards of corporate governance, which they see as fundamental to discharging their stewardship responsibilities. The board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to all of the company's shareholders. The board applies integrity, principles of good governance and accountability throughout its activities and each director brings independence of character and judgment to the role. All of the members of the board are individually and collectively aware of their responsibilities to the company's stakeholders.

The principal governance rules applying to UK companies listed on the London Stock Exchange are currently contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2006 (the Combined Code).

This report describes the board's approach to corporate governance and explains how it applies the Combined Code.

## 2. Application of the Combined Code

The board applied the principles and provisions of the Combined Code throughout the year ended 31 March 2008, except in the following respects (with items (a) to (d) being dealt with more fully in sections 3 and 5 of this report):

- a) at least half the board, excluding the Chairman, were not independent for the purposes of the Combined Code;
- b) the audit committee did not consist solely of independent directors, as the committee included Ms De Lisi, an Altria Group, Inc. ('Altria') nominee, until her retirement on 30 April 2007, and then Mr Devitre, Altria's nominated replacement for Ms De Lisi, neither of whom is independent for the purposes of the Combined Code;
- c) the nomination committee did not comprise a majority of independent non-executive directors throughout the period following the appointment to the nomination committee, under the terms of the respective relationship agreements with Altria and BevCo Ltd ('BevCo') of Mr Bible and Mr Santo Domingo Dávila to the nomination committee. The appointments took effect on 14 November 2007;
- d) the chairman of the nomination committee, although considered by the board to be independent in character and judgement, was not independent for the purposes of the Combined Code; and
- e) one director was not able to attend the 2007 annual general meeting because of a longstanding prior commitment.

The board has taken a number of steps to redress the balance of independent directors on the board and nomination committee:

- a) Ms Maria Ramos and Mr Rob Pieterse were appointed to the board on 15 May 2008. Both are independent non-executive directors; and
- b) Mr Ramaphosa, an independent non-executive director, was appointed to the nomination committee on 14 November 2007.

Lord Renwick of Clifton retires from the board on 31 July 2008. He stepped down as a member and as chairman of the nomination committee on 31 March 2008.

With effect from 15 May 2008, over half the board, excluding the Chairman, were independent for the purposes of the Combined Code and, with effect from 1 April 2008, a majority of the directors on the nomination committee were independent for the purposes of the Combined Code.

## 3. Board of directors: composition and independence

The board currently consists of the Chairman (Mr Kahn); eight independent non-executive directors (including Lord Fellowes, 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). Biographical information concerning each of the directors is set out on pages 42 and 43.

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 agreement with Altria, which was originally approved by shareholders in 2002 as part of the Miller transaction, and was amended, with shareholders' approval, in 2005 as part of the Bavaria transaction, and by the terms of our relationship agreement with BevCo (a holding company of the Santo Domingo Group), which was approved by shareholders in 2005 as part of the Bavaria transaction.

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 board is grateful to Altria for its indulgence in permitting for the time being the maximum number of directors allowed under the relationship agreement to be exceeded, in order to assist the company to meet the requirements of the Combined Code.

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

Ms De Lisi, who was nominated for appointment to the board and the audit committee by Altria, stepped down from the board on 30 April 2007, following her retirement from Altria. Altria nominated Mr Dinyar Devitre to replace Ms De Lisi. Mr Devitre was, until 31 March 2008, Senior Vice President and Chief Financial Officer of Altria and is currently a member of the board of Altria. He joined the board of SABMiller as a non-executive director with effect from 16 May 2007.

The board considers eight directors – Ms Doherty, Lord Fellowes, Mr Manser, Mr Manzoni, Mr Morland, Mr Pieterse, Ms Ramos and Mr Ramaphosa – to be independent for the purposes of the Combined Code. The board considers six non-executive directors (including the Chairman) not to be independent for the purposes of the Combined Code: Mr Bible and Mr Devitre, as they are nominees of Altria, the company's largest shareholder; Mr Santo Domingo Dávila and Mr Pérez Dávila, as they are nominees of the Santo Domingo Group, the company's second largest shareholder; Lord Renwick of Clifton, because of his position with JPMorgan Cazenove; and the Chairman, Mr Kahn, who is a former chief executive of the company and has served continuously on the board, or on the board of the company's predecessor, since 1981 (although he has been a director of the company only since 1999) and, as Chairman, is deemed not to be independent under the Combined Code.

For ease of reference, directors' independence status for Combined Code purposes is indicated in the table below.

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. The board is confident that the appointment of both Ms Ramos and Mr Pieterse, two distinguished and internationally acclaimed individuals, will make a significant contribution to its deliberations.

It is now nine years since the company listed on the London Stock Exchange. SABMiller has been fortunate to retain the services of several distinguished non-executive directors, the Chairman, Lord Fellowes, Mr Morland, Mr Ramaphosa and Lord Renwick, for the entire nine-year period. They have provided considerable stability to the board since the listing in 1999 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. The provisions of the Combined Code require the board to consider, where a director has served for a period of more than nine years, whether that director continues to be independent. The board has conducted a rigorous review of the performance of the Chairman, Lord Fellowes, Mr Morland and Mr Ramaphosa and considers that each of these directors brings invaluable integrity, wisdom and experience to the board and that they continue to contribute to the direct, robust and constructive debate held within the board and committee deliberations. Therefore, the board is entirely satisfied as to the continued independence of each of these directors. Under the Combined Code, directors who have served for more than nine years are required to stand for annual re-election and the board has determined that they should do so. The board does not consider it to be in the interests of the company or shareholders to require all four of the directors who have served for nine years to retire at the same time (as noted, Lord Renwick will be retiring in July 2008) and strongly favours ensuring continuity and stability through orderly succession.

While recognising the benefits of the experience and stability brought by its long-standing directors, the board remains committed to the progressive renewal of board membership and has therefore acted to bring about the appointment of Ms Ramos and Mr Pieterse. The board will continue to act in the best interests of the company and shareholders as it considers further appointments and the future tenure of the directors who have served for more than nine years.

The board 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 terms of the relationship agreement between the company and Altria, and to the experience and background in financial matters of Mr Devitre, 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 compromised.

## 4. How the board operates

### 4.1 Board meetings and attendance

During the year there were six scheduled board meetings. Two additional board meetings were held to consider particular projects. Individual directors' attendance at board and committee meetings and at the annual general meeting is set out in the table below. The directors nominated by Altria waived their fees during the period under review.

In the few instances where a director has not been able to attend a board or committee meeting, any comments which he or she has had arising out of the papers to be considered at that meeting have been relayed in advance to the relevant chairman.

### 4.2 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, the board receives regular presentations, on a rotational basis, from the divisional managing directors as well as from directors of key group functions (marketing, corporate affairs, human resources and legal) enabling it to explore specific issues and developments in greater detail.

### Directors' attendance (1 April 2007 to 31 March 2008) and committee memberships

	Independent*	Board		Audit		Remuneration		Nomination		CARAC		AGM
		Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	
J M Kahn	X	8	8					3	3	2	2	✓
E A G Mackay	X	8	8							2	2	✓
M I Wyman	X	7	8							1	2	✓
G C Bible	X	7	8					1	1			✓
D Devitre	X	7	7	3	3							✓
M E Doherty	✓	5	8	3	4							✓
Lord Fellowes	✓	8	8	4	4	5	5	3	3	2	2	✓
P J Manser	✓	7	8	4	4	4	5	3	3	2	2	✓
J A Manzoni	✓	7	8			5	5			2	2	✓
M Q Morland	✓	8	8	4	4	5	5	3	3			✓
C A Pérez Dávila	X	8	8									✓
M C Ramaphosa	✓	6	8					0	1	1	2	X
Lord Renwick	X	7	8					3	3			✓
A Santo Domingo Dávila	X	8	8					1	1			✓

\* considered to be independent for Combined Code purposes

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 debate among board and committee members.

### 4.3 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; social and environmental policy; 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 board members in advance of the next board meeting.

### 4.4 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 an independent judgement and contribute to the formulation of strategy, policy and decision making through their knowledge and experience of other businesses and sectors.

### 4.5 Information and training

The board and its committees are supplied with full and timely information, including detailed financial information, to enable directors to discharge their responsibilities. 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, and the committees have been provided with sufficient resources to undertake their duties. None of the directors has sought independent external advice through the company. The Company Secretary is responsible for advising the board, through the Chairman, on matters of corporate governance.

Following the appointment of new directors to the board, 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 arranges for major shareholders to have the opportunity to meet new appointees. The company is also 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 specialities and regular updates on relevant legal, regulatory, corporate governance and technical developments are presented to committee members and, as appropriate, to the board.

### 4.6 Outside appointments

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

The board believes, in principle, in the benefit 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, executive directors and members of the executive committee are permitted to accept external non-executive board appointments, subject to the agreement of the board, and are allowed 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 the remuneration committee of that company. Fees earned by Mr Mackay from this appointment are set out in the Directors' Remuneration Report on page 56. Later in 2008 Mr Mackay will join the board of Philip Morris International Inc. The board is satisfied that these duties will not impinge on Mr Mackay's commitment and ability to discharge fully his duties to the company.

### 4.7 Chairman, Chief Executive and Senior Independent Director

The roles of Chairman and Chief Executive are separate with responsibilities divided between them. This separation of responsibilities is 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 with 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 relevant reports and commentaries of, and exchanges with, shareholders and investor bodies.

The Senior Independent Director is Lord Fellowes. Lord Fellowes is chairman of CARAC, and also serves on the audit, remuneration and nomination committees. He is therefore well placed to influence the governance of the company and to meet his responsibilities as Senior Independent Director. Lord Fellowes serves as an additional contact point for shareholders should they feel that their concerns are not being addressed through the normal channels. Lord Fellowes 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 the management of the company. In the year under review, the Chairman hosted a meeting of the non-executive directors without the executive directors present. Lord Fellowes has, in addition, 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.

### 4.8 Board, committee and director performance evaluation

A formal evaluation of the performance and effectiveness of the board and of the audit, remuneration, nomination and corporate accountability and risk assurance 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 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, governance factors, commitment, profile, knowledge of the industry and team contribution, culminating in an overall contribution rating. The importance of the different roles played by individual directors in bringing a balanced overall view to the board was recognised. For the year under review, the Chairman has assessed that all directors continue to make an effective contribution to the board.

In reviewing the performance of the board and its committees, the Chairman and the Senior Independent Director were aligned in their conclusion that measured against the principal duties expected of it, the board (including by extension its standing and ad hoc sub-committees) continued to operate effectively and to meet in full its obligations to support management, to monitor performance across a wide area, and to maintain its 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 results of the performance and effectiveness evaluation process were also reviewed by the Chairman, the Senior Independent Director, the Chief Executive and the Company Secretary, all of whom concluded that the board and its committees were operating effectively.

At the forthcoming annual general meeting, Ms Ramos and Mr Pieterse, having been initially appointed by the board of directors will, pursuant to the company's articles of association, stand for election. Three directors, Mr Mackay, Mr Manzoni and Mr Ramaphosa are required to seek re-election in accordance with the company's articles of association, having served for three years since their last election. As previously mentioned, the Chairman, Lord Fellowes, Mr Morland and Mr Ramaphosa will by the time of the AGM each have served continuously on the board for nine years and, under the Combined Code, are obliged to offer themselves for re-election annually.

The Chairman confirms that each of the directors offering themselves for re-election continues to perform effectively and to demonstrate commitment to his role. In addition, the Chairman confirms that in relation to each of the directors who will have served for nine years, the board is satisfied with his performance and has determined that nine years' service does not compromise his independence. Lord Fellowes, as senior independent director, confirms that the Chairman continues to perform effectively and to demonstrate commitment to his role. Biographical details of directors standing for election and re-election are included on pages 42 and 43 of this report.

#### 4.9 Retirement of directors

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. The board has determined that non-executive directors who have served for nine years will be asked to stand for re-election annually, provided that the board remains satisfied both with the director's performance and that nine years' continuous service does not compromise the director's continuing independence.

#### 4.10 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.

## 5. The board's committees and the executive committee

### 5.1 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 Graham Mackay, who is supported by the executive committee (excom), which he chairs. Excom members are appointed by Mr Mackay. The other members of excom are the Chief Financial Officer, Mr Wyman; the divisional managing directors responsible for managing the group's regional hubs (Latin America, Europe, Africa and Asia); the Managing Director of SAB Ltd; the President and Chief Executive Officer of Miller Brewing Company; the directors of key group functions (marketing, corporate affairs, 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.

### 5.2 The disclosure committee

The disclosure committee consists of the Chairman, the Chief Executive, the Chief Financial Officer, a designated non-executive director (Lord Fellowes), and the Company Secretary or the Deputy Company Secretary. The function of the disclosure committee, in accordance with the group's inside information policy, is to assure compliance with the Disclosure and Transparency Rules and the Listing Rules, and to ensure that the routes of communication between excom members, the disclosure committee, the in-house legal team, the company secretarial office and investor relations are clear and provide for rapid escalation to the disclosure committee and key advisers 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.

### 5.3 The audit committee

During the year under review, the audit committee was chaired by Mr Manser, who has been chairman of the committee since May 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 43.

Lord Fellowes, Mr Morland, and Ms Doherty served on the committee throughout the year. Ms De Lisi served until her retirement on 30 April 2007 and was replaced by Mr Devitre who

attended his first meeting of the committee on 4 September 2007. Mr Morland has been a member of the committee from its first meeting on 13 April 1999. Lord Fellowes was appointed to the committee on 1 June 2001 and Ms Doherty was appointed on 1 April 2006. The Chairman has recent and relevant financial experience, as does Ms Doherty, who is Chief Financial Officer of Brambles Limited and was previously Group International Finance Director of Tesco PLC, and Mr Devitre, having until 31 March 2008 held the position of Chief Financial Officer of Altria.

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.

Under its terms of reference, the committee's key duties include:

- to review, and challenge where necessary, the annual financial statements and interim and preliminary announcements before their submission to the board for approval;
- to examine and review the internal control environment and risk management systems within the group and review the group's statement on internal control systems prior to endorsement by the board and to review the independence, objectivity and effectiveness of the external audit process;
- to make recommendations to the board regarding the appointment, re-appointment and removal of the external auditors and to approve and recommend to the board the remuneration and terms of engagement of the external auditors;
- to review annually the effectiveness of the internal audit function throughout the group, with particular focus on the charter, annual work plans, activities, staffing, organisational and reporting structure and status of the function; and
- to review the effectiveness of the system for monitoring compliance with laws and regulations (including the group's bi-annual letters of representation) and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

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 committee has also monitored the further progress which has been made during the year in reviewing and upgrading internal controls in the major business entities across the group, positioning the group to achieve substantive compliance with Sarbanes-Oxley standards in due course (although the company is not a SEC registrant and is not required to comply with Sarbanes-Oxley standards).

The Chief Internal Auditor has direct access to the audit committee, primarily through its chairman. The audit 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 with the external auditors and with the Chief Internal Auditor without management being present.

In addition to the review of its 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.

#### 5.4 The nomination committee

During the year the nomination committee was chaired by Lord Renwick. Lord Renwick retired as chairman and as a member of the nomination committee with effect from 31 March 2008 and was replaced as chairman by Mr Kahn. Both Lord Renwick and Mr Kahn were members of the committee throughout the year, as were Lord Fellowes, Mr Morland and Mr Manser. During the year Altria and BevCo exercised their rights under their relationship agreements to nominate Mr Bible and Mr Santo Domingo Davila, respectively, as members of the nomination committee with effect from 14 November 2007. Mr Ramaphosa was appointed to the committee at the same time.

The committee is empowered to consider the composition of the board and its committees. It is asked to consider the retirement, appointment and replacement of directors, and is required to make appropriate recommendations to the board.

The nomination committee has continued to evaluate the balance of skills, knowledge and experience of the board. In order to further strengthen the independence and balance of the board, and as part of the continuing process of progressive renewal of the board, the committee successfully recruited Ms Ramos and Mr Pieterse to the board. Appropriate succession plans for the non-executive directors approaching nine years service, for the executive directors and for senior management were also kept under review.

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. In accordance with the terms of the relationship agreement with Altria, the only executive directors appointed to the board are the Chief Executive and the Chief Financial Officer.

#### 5.5 The remuneration committee

The committee consists entirely of independent directors: Mr Morland (Chairman), Lord Fellowes, Mr Manzoni and Mr Manser.

The committee is empowered by the board to set short-term, medium-term and long-term remuneration for the executive directors. More generally, 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.

During the year 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 and Mercer Human Resource Consulting (Mercer). At levels below the company's executive committee, the company's management consults, among others, Hay Consulting, Ernst & Young and Towers Perrin, on a project basis. More details of the company's remuneration policy can be found in the directors' remuneration report on pages 49 to 59.



### 5.6 The corporate accountability and risk assurance committee (CARAC)

Lord Fellowes chaired the committee throughout the year. Mr Kahn, Mr Mackay, Mr Manser, Mr Manzoni, Mr Ramaphosa and Mr Wyman served as members. 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.

## 6. 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 confirms 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 its opinion, PwC believes that the nature of its 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.

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 critical criteria.

## 7. Relations with shareholders

During the year the company has continued to promote dialogue with its major institutional shareholders. All shareholders were again encouraged to attend the annual general meeting, which provides shareholders with the opportunity to ask questions of the board and chairmen of all the board committees. All resolutions were put to a poll at the annual general meeting in 2007. Voting at the meeting was conducted electronically, with the results being published on the Regulatory News Service and on the company's website.

Alongside the facilities offered by the Company Secretary's department, 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. Occasional business site visits are also arranged. Dialogue on socially responsible investment is handled by the Head of Sustainable Development in the corporate affairs department, who undertakes focused briefings with interested investors and stakeholders.

In addition to scheduled management-led programmes in which executives interact with investors and analysts, the Chairman has, independently, initiated formal contact with all shareholders (or their representatives) holding more than 1% of the issued share capital of the company. The purpose of this contact is to enable the Chairman to address any queries shareholders may have regarding 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. Alongside the Chairman, the Senior Independent Director is also available to discuss issues with shareholders and views expressed will be 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. Comment on the annual report is conveyed through the audit and remuneration committees and the Company Secretary to the board.

## 8. Risk management

The group's risk management system is subject to regular review to ensure full compliance with the requirements of the Combined Code and the Turnbull Guidance (2005) on internal control and risk management and is designed to deliver improved value to the operating businesses.

### 8.1 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 and including the date of approval of the annual report and accounts. The principal risks and uncertainties facing the group are set out on page 8.

### 8.2 Executive committee

Excom has specific responsibility as the risk management committee for the group's system of risk management. Bi-annually, 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 the risk management committee in April and September 2007 and in April 2008.

### 8.3 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. This is undertaken using a practical and flexible framework which provides a consistent and sustained approach to risk evaluation. The 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.

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

## 9. Internal control

The Turnbull Guidance sets out best practice on internal control 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 and the business environment in which it operates. As such, they are subject to continuous review as circumstances change and new risks emerge. The company has made significant progress towards achieving substantive compliance with s404 of the Sarbanes Oxley Act through an 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 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;
- identification and regular testing of key financial controls through the IFC programme;
- 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;
- group treasury operations which manage exposure to interest rate, counterparty, liquidity and currency transaction risks and co-ordinate the activities of group companies in this area. Treasury policies, risk limits and monitoring procedures are reviewed regularly by the audit committee on behalf of the board;
- a group tax risk and tax operating framework which forms the basis of tax governance across the group and is managed by a group tax function, which monitors tax risk and implements strategies and procedures to control it;
- minimisation of operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses; and
- business continuity planning, including preventative and contingency measures, back-up capabilities and the purchase of insurance.

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 described in section 10 opposite, 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. This does not apply in respect of the group's associated undertakings or joint ventures.

At the half year and at the year end the divisional managing directors and finance directors of all the group's operations, and each of the group's functional directors, are required to submit 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. They cover all subsidiary companies but do not cover associates (except for Tsogo Sun, which does submit letters of representation) or joint ventures. 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.

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 2007 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.

## 10. Internal audit

The global internal audit function consists of local and regional internal audit functions operating in each of the group's principal business units, centrally co-ordinated by the group internal audit team and led by the Chief Internal Auditor. In keeping with the group's decentralised collaborative management structure, the local internal audit functions report to local senior finance management but have direct access to local audit committees, Group Internal Audit and the Chief Internal Auditor. The local and regional audit functions have continuous, unfettered interface with the group internal audit function, which reports directly to the Chief Financial Officer and has direct access to the audit committee through the Chief Internal Auditor. Internal audit activities are performed either by teams of appropriate, qualified and experienced employees, or through the engagement of external practitioners upon specified and agreed terms with equivalent access. The Chief Internal Auditor 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 utilises a standardised group-wide internal audit methodology and has implemented a formal global quality assurance and effectiveness programme. Accordingly, detailed quality review assessments are performed with regard to the local and regional 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, periodic reviews by independent external consultants are undertaken when deemed necessary by the audit committee. In February 2008, an external effectiveness review was performed by Deloitte, reporting positive results and rating the group's internal audit function as 'high quality'.

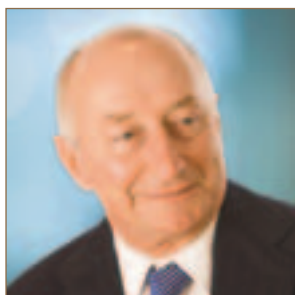
The audit committee has therefore satisfied itself that adequate, objective internal audit assurance standards and procedures exist within the group, and that continuous improvement in the quality and objectivity of the global internal audit function remains a primary objective of the department.

## 11. Whistleblowing measures

All employees in most subsidiaries within the group have the opportunity to make confidential disclosures about suspected impropriety and wrongdoing. The Company Secretary or the Deputy Company Secretary, in consultation with the Chief Internal Auditor, decides on the appropriate method and level of investigation. The audit committee is notified of all disclosures made and receives reports on the results of all 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.

**John Davidson**  
**General Counsel and Group Company Secretary**  
 For and on behalf of the board of SABMiller plc  
 2 June 2008

# Board of directors



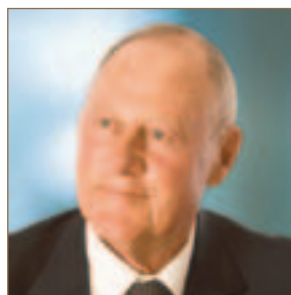
**Graham Mackay (58) <sup>^†</sup>**  
BSc (Eng), BCom  
Chief Executive

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 has agreed to join the board of directors of Philip Morris International Inc. later in 2008.



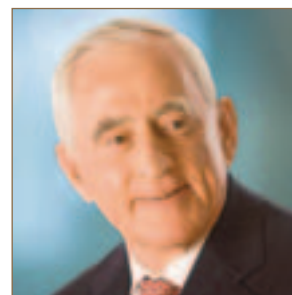
**Malcolm Wyman (61) <sup>^†</sup>**  
CA (SA)  
Chief Financial Officer

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. Prior to joining SAB Ltd, he was an Executive Director of UAL Merchant Bank, South Africa.



**Meyer Kahn (68) <sup>^†\*</sup>**  
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.



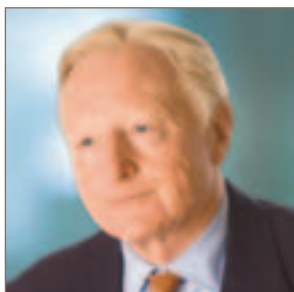
**Geoffrey Bible (70) <sup>†</sup>**  
FCA (Aust), ACMA

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. He is a member of the board of Triun Acquisition 1 Corp.



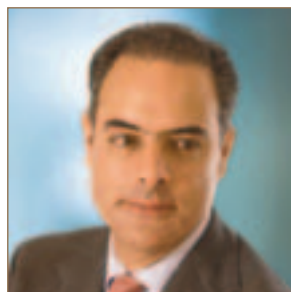
**John Manzoni (48) <sup>^\*</sup>**  
BEng, MEng, MBA

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 advisory board of the Stanford Graduate School of Business and the Accenture Energy Advisory Board.



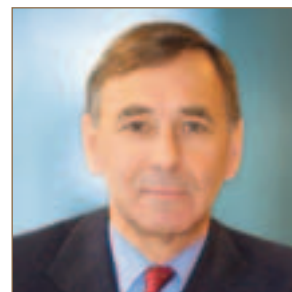
**Miles Morland (64) <sup>\*\*</sup>**

Miles Morland joined the board in 1999. He is Chairman of Blakeney Management, an investment management firm specialising in the developing world, which he founded in 1990. He is also Chairman of Indochina Capital Vietnam Holdings, Chairman of Ukraine Opportunity Trust plc, a director of The Dubai Group, of SouthWest Energy (BVI) Ltd, and of the East Europe Development Fund, and is engaged in raising private equity capital for investment in Africa.



**Carlos Alejandro Pérez Dávila (45)**  
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 sits on the board and executive committee of Valorem S.A. He was previously an investment banker at Goldman, Sachs & Co., S.G. Warburg & Co. and Violy, Byorum & Partners.



**Rob Pieterse (65)**

Rob Pieterse joined the board in May 2008. He is chairman of the supervisory boards of Mercurius Groep B.V., and Royal Grotsch N.V. He is a member of the supervisory boards of Essent N.V. and CSM N.V. and a non-executive director of Mecom Group plc. He serves on the boards of VEJO, the association of Dutch listed companies, and of EuropeanIssuers. Mr Pieterse spent 25 years at the multi-national information services company, Wolters Kluwer N.V., where he was Chairman from 2000 until 2003.

^ Corporate accountability and risk assurance committee (CARAC)  
† Executive committee

‡ Nomination committee  
• Remuneration committee  
\* Audit committee



**Dinyar Devitre (61)** \*  
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 and was a director of Kraft Foods Inc. from 2002 until March 2007. He is a Trustee of the Lincoln Center Inc., the Asia Society and the Brooklyn Academy of Music.



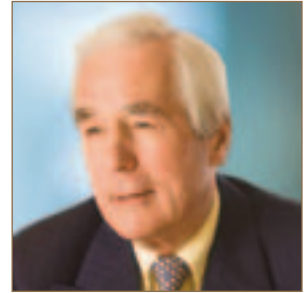
**Liz Doherty (50)** \*  
BSc (hons), FCMA

Liz Doherty joined the board in 2006. She is Chief Financial Officer of Brambles Limited. Prior to joining Brambles in December 2007 she was Group International Finance Director of Tesco PLC. Before joining Tesco in 2001, she held a number of commercial and strategic positions in Unilever PLC, including Senior Vice President Finance – Central & Eastern Europe, Financial Director – Unilever Thai Holdings and Financial Director, Frigo, España.



**Robert Fellowes (66)** \*^†•

Lord Fellowes joined the board in 1999. He is Chairman of Barclays Private Banking (Barclays Wealth) and was Private Secretary to the Queen from 1990 until 1999, having joined the Royal Household in 1977 from a career in the London Money Market. He chairs the Prison Reform Trust and is a trustee of the Rhodes Trust and the Mandela-Rhodes Foundation. He is also on the board of the British Library.



**John Manser (68)** \*^†•  
CBE, DL, FCA

John Manser joined the board in 2001. He is Chairman of Intermediate Capital Group plc and Shaftesbury PLC and Deputy Chairman of Colliers CRE plc. 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.



**Cyril Ramaphosa (55)** ^†  
Bproc LLD(hc)

Cyril Ramaphosa joined the board of SAB Ltd 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 Executive Chairman of Shanduka Group, Joint Non-Executive Chairman of Mondi plc and Mondi Limited and holds directorships in Macsteel Global B.V., MTN Group Ltd, The Bidvest Group, Standard Bank and Alexander Forbes. He also serves on the board of the Commonwealth Business Council.



**Maria Ramos (49)**  
CAIB, BCom (hons), MSc

Maria Ramos joined the board in May 2008. She is Group Chief Executive of Transnet Limited, and a non-executive director of Sanlam Limited and Remgro Limited. She is a Member of the Chief Economist Advisory Council of the World Bank and of the Executive Board of Business Leadership South Africa. From 1996 to 2003, she was Director-General of the South African National Treasury.



**Robin Renwick (70)**  
MA

Lord Renwick of Clifton joined the board in 1999. He served as British Ambassador to the United States from 1991 to 1995 and as British Ambassador to South Africa from 1987 to 1991. He is Vice-Chairman, JPMorgan Cazenove, Chairman of Fluor Ltd, and a director of Compagnie Financière Richemont AG, Fluor Corporation and Kazakhmys plc. As noted in the Corporate Governance Report, Lord Renwick will be retiring from the Board at the conclusion of the 2008 Annual General Meeting.



**Alejandro Santo Domingo Dávila (31)** †  
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, sits on the board of Valorem S.A. and Caracol TV, is the treasurer of Aid for AIDS Charity and is also a member of the board of the US-based DKMS Americas Foundation.

# 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.



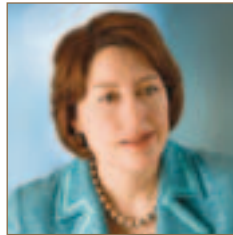
**Mark Bowman (41)**  
BCom, MBA  
Managing Director,  
SABMiller Africa

Mark Bowman was appointed Managing Director of SABMiller Africa in October 2007. He joined SABMiller's beer division in 1993 and has held various senior positions in the company. These include Managing Director of SABMiller's Polish subsidiary Kompania Piwowarska, Managing Director of ABI (now the Soft Drinks Division of SAB Ltd) and Chairman of Appletiser. He has also held various positions in logistics, sales, distribution, IT and corporate strategy within the group.



**Alan Clark (48)**  
MA, DLitt et Phil  
Managing Director,  
SABMiller Europe

Dr Clark was appointed Managing Director, SABMiller Europe in 2003. He joined The South African Breweries Limited (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, Amalgamated Beverage Industries Ltd 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 (44)**  
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.



**John Davidson (49)**  
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 the group, he spent his entire legal career at Lovells, a leading international law firm, where he had been a partner since 1991. He has worked on numerous projects for SABMiller since Lovells was first appointed as the group's principal UK legal adviser in 1998, including the London listing in 1999, the Miller, Peroni and Bavaria Group transactions, and various bond and equity financings.



**Nick Fell (54)**  
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 Bassett. 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 (50)**  
BA (hons)  
Managing Director,  
The South African  
Breweries Limited

Tony van Kralingen was appointed Managing Director, SAB Ltd in 2003. He is also responsible for the Global Technical function and Chairman of the Global Sourcing Council. He joined SAB Ltd in 1982 and has held a number of senior positions in the group. These include Managing Director, Plzeňský Prazdroj A.S., Marketing Director, SAB Ltd and Operations Director (Northern Region), SAB Ltd.



**Tom Long (49)**  
BA, MBA  
President and  
Chief Executive Officer,  
Miller Brewing Company

Tom Long was appointed President and Chief Executive Officer, Miller Brewing Company in 2006 after joining the company in 2005 as Chief Marketing Officer. Prior to this he was President, Northwest Europe Division, The Coca-Cola Company and he previously held senior positions at the company's US headquarters, including Vice President – National Sales, Vice President and Director – Research & Trends, and Vice President and Director – Global Strategic Marketing. Should the MillerCoors Joint Venture receive regulatory approval it is proposed that he will become President and Chief Commercial Officer of the company.



**Ari Mervis (43)**  
BCom  
Managing Director,  
SABMiller Asia

Ari Mervis was appointed Managing Director of SABMiller Asia in October 2007. He joined ABI (now the Soft Drinks Division of SAB Ltd) in 1989 and has held a number of senior positions in the organisation. These include Managing Director of Appletiser and Managing Director of SABMiller's operations in Russia and Australia.



**Johann Nel (51)**  
BA (hons)  
Human Resources  
Director, SABMiller plc

Johann Nel was appointed Human Resources Director, SABMiller plc in 2002. He joined SAB Ltd in 1997 and was appointed Human Resources Director in 1998. He previously owned a consulting organisation, and had worked with SAB Ltd on various major strategy, organisational development and human resources projects since 1988. He has co-authored a book on managing productive change in organisations and was involved in initiatives to encourage business involvement in the democratisation of South Africa in the 1980s and 1990s.



**Barry Smith (57)**  
BSc, MBA  
President, SABMiller  
Latin America

Barry Smith was appointed President, SABMiller Latin America in 2007 and prior to this he was President, SABMiller South America from 2005. He joined SAB Ltd in 1984 and has held a number of senior positions in the group. These include Marketing Director, SAB Ltd, Managing Director, Kompania Piwowarska S.A. and Senior Vice President, Market Development and Strategy, Miller Brewing Company.

# 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 2008.

## Principal activities and business review

SABMiller plc is a holding company which has brewing and beverage interests across six continents. The principal subsidiaries and associates of the company are listed on pages 131 to 133 of this annual report. The principal activities of the group are the manufacture, distribution and sale of beverages.

The company is required by the Companies Act 1985 to produce a fair review of the business of the group including a description of the principal risks and uncertainties it faces, its development and performance during the year and the position of the group at the end of the year. The business review, including a review of the development and performance of the group during the financial year, its position at the end of the year, likely future developments in the business of the group, key performance indicators and a description of the principal risks and uncertainties facing the group, is set out on pages 4 to 5 and 7 to 29 of this annual report. Other key performance indicators and matters relating to environmental and employee matters required by the business review are set out in the sustainable development review on pages 30 to 33 of this annual report.

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

In April 2007 the company announced that it had completed the sale of its Pepsi Bottling operations in Costa Rica to Cervecería Costa Rica S.A., a subsidiary of Florida Ice and Farm Company S.A., together with its 42.5% investment in a hotel complex in Costa Rica for a total of US\$116 million.

Also in April, China Resources Snow Breweries Limited ("CR Snow"), an associate of the company and subsidiary of China Resources Enterprise, Limited, completed the acquisition of the 38% equity interest that it did not already own in the 14 Blue Sword breweries based in the Sichuan province in South West China at a cost of US\$320 million.

In May 2007 CR Snow announced it had agreed to sell its non core Southern region water business, C'est Bon, to China Resources Enterprise, Limited for a cash consideration of US\$35 million.

In the same month, following receipt of the required merger clearance, the company's Colombian subsidiary, Bavaria S.A., completed the disposal of its fruit juice business to the Colombian beverage company Postobón S.A. for US\$55.3 million.

In July 2007 the company announced that its wholly owned subsidiary SABSA Holdings (Pty) Ltd had raised R1,600 million (approximately US\$230 million) in 5-year notes. The notes, issued under a R4,000 million Domestic Medium Term Note Programme, are guaranteed by the company and are listed on BESA, the South African Bond Exchange. The net proceeds of the bond issue have been used to repay part of existing loan facilities that were utilised by The South African Breweries Ltd.

Also in July, the company announced that it would make simultaneous tender offers for all the voting shares which it did not already own in its Panamanian subsidiaries Cervecería Nacional, S.A. and Refrescos Nacionales S.A. for a consideration of approximately US\$21.8 million. At year end the company's effective economic interest in Cervecería Nacional, S.A. and Refrescos Nacionales S.A. increased to approximately 96.3% and 95.2% respectively.

In August 2007 the company's Polish subsidiary, Kompania Piwowarska S.A. announced the acquisition of 99.96% of Browar Belgia from Palm Breweries N.V. The acquisition was subject to clearance from the Polish Office of Competition and Consumer Protection, which was received in January 2008 following which the acquisition completed. The value of gross assets acquired was approximately US\$91 million.

Also in August, CR Snow announced it had agreed to acquire four breweries in separate transactions. Two breweries are in Liaoning province, one brewery is in Anhui and one is in Hunan province. The total investment cost for the four acquisitions was US\$79 million, including a cash consideration of US\$57 million.

In October 2007, the company and Molson Coors Brewing Company announced that they had signed a letter of intent to combine the US and Puerto Rican businesses of their subsidiaries, Miller and Coors. The companies signed a definitive agreement to form MillerCoors LLC in December 2007. Closing of the transaction is subject to obtaining clearances from the US competition authorities and certain other regulatory clearances and third-party consents, as required, and is expected to complete in the middle of 2008.

In October 2007, following the launch of a delisting tender offer on the Colombian Stock Exchange, the company's effective interest in Bavaria increased to 98.78% and Bavaria's shares were delisted.

In November 2007, the company announced that it had reached agreement on the terms of a recommended offer for Royal Grolsch N.V. ('Grolsch'). The offer was made in January 2008, and was declared unconditional in February 2008. By year end, the company had acquired approximately 99.65% of the shares of Grolsch for a total consideration of approximately US\$1,190 million.

In December 2007 the company announced that its joint venture with Coca-Cola Amatil Limited, Pacific Beverages Pty Limited had acquired the premium Australian brewer Bluetongue Brewery Pty Limited. The value of the gross assets acquired was approximately US\$12 million.

In February 2008 the company announced that Pacific Beverages Pty Limited would invest in the construction of a new brewery in the Central Coast region of New South Wales. The brewery will have a capacity of 500,000 hectolitres and is expected to be completed in 2010.

## Post Balance Sheet events

In May 2008 the company announced that it had agreed to acquire a 99.84% interest in the Ukrainian brewer CJSC Sarmat, acquiring gross assets of approximately US\$130 million. The transaction is subject to approval by the Ukrainian competition authorities and other customary pre-closing conditions.

Also in May the group put in place a new committed borrowing facility of US\$1,000 million with a final maturity date of 30 June 2009 and a new three-year committed borrowing facility totalling US\$600 million.

## Dividends

An interim dividend of 16 US cents per share was paid to shareholders on 21 December 2007, in respect of the year ended 31 March 2008. Details of the final dividend proposed by the board for the year ended 31 March 2008 are set out below:

Amount of final dividend proposed by the board:	42 US cents per share
Total proposed dividend for the year ended 31 March 2008:	58 US cents per share

If approved, the final dividend will be payable to shareholders on either section of the register at 11 July 2008 in the following way:

Dividend payable on:	7 August 2008
Currency of payment:	<p><b>South African rands</b> – to shareholders on the RSA section of the register,</p> <p><b>US dollars</b> – to shareholders shown as having an address in the USA and recorded on the UK section of the register (unless mandated otherwise),</p> <p><b>Pounds sterling</b> – to all other shareholders on the UK section of the register.</p>

Ex-dividend dates:	7 July 2008 for shares traded on the JSE Limited, South Africa.
	9 July 2008 for shares traded on the London Stock Exchange (LSE),

Dates on which the rate of exchange for conversion from US dollars will be calculated and will be published on the RNS of the LSE and the SENS of the JSE Limited.

Note 9 to the consolidated financial statements discloses dividends waived.

## Directors

The names and biographical details of the current directors are set out on pages 42 and 43. With the exception of Mr Devitre (who was appointed to the board on 16 May 2007) and Ms Ramos and Mr Pieterse (who were appointed to the board on 15 May 2008) all directors served throughout the period. In addition Ms De Lisi, Altria Group Inc.'s ("Altria") nominee prior to the appointment of Mr Devitre, served as a director of the company until her retirement on 30 April 2007. Details of the interests in shares and/or options of the directors who held office at the end of the period and any persons connected to such directors are set out in the remuneration report on pages 49 to 59.

## Corporate governance

The directors are committed to maintaining high standards of corporate governance, which they see as fundamental to discharging their stewardship responsibilities. The board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value to all of the company's shareholders. The board applies integrity, principles of good governance and accountability throughout its activities and each director brings independence of character and judgment to the role. All of the members of the board are individually and collectively aware of their responsibilities to the company's stakeholders. Statements of our application of the Combined Code on Corporate Governance are set out in the corporate governance report on pages 34 to 41 and the directors' remuneration report on pages 49 to 59.

## Share capital

During the year, the issued ordinary share capital of the company increased from 1,502,187,446 shares of 10 US cents each to 1,505,779,276 shares of 10 US cents each. 3,591,830 new ordinary shares were issued to satisfy the exercise of options granted under the SABMiller plc Mirror Executive Share Purchase Scheme, the SABMiller plc Approved Executive Share Option Scheme, the SABMiller plc Executive Share Option (No. 2) Scheme and the SABMiller plc International Employee Share Scheme.

In addition, the company has 77,368,338 non-voting convertible participating shares of 10 US cents each and 50,000 deferred shares of £1 each in issue. No non-voting convertible participating shares, convertible participating shares or deferred shares were issued during the year.

In light of changes in the tax regime in the United Kingdom, the board has determined that the company should acquire the 77,368,338 non-voting convertible shares held by Safari Limited, a company incorporated in Jersey which is owned by a charitable trust not connected with the company, and hold those shares as treasury shares. In order for the shares to be held as treasury shares, it is necessary that they convert into ordinary shares before being acquired by the company. The board is therefore seeking shareholder approval of an amendment to the articles of association and a contingent purchase contract in relation to this transaction at the company's forthcoming annual general meeting.

## Purchase of own shares

At the last annual general meeting, shareholder authority was obtained for the company to purchase its own shares up to a maximum of 10% of the number of ordinary shares in issue on 16 May 2007. This authority is due to expire at the earlier of the next annual general meeting or 31 October 2008, 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 the company to purchase its own shares.

Shares in the company were purchased during the year by the trustee of the company's employee benefit trust, details of which are provided in the directors' remuneration report. The company did not repurchase any of its shares during the year for the purpose of cancellation, holding in treasury or for any other purpose.



As noted above the board has determined that, subject to shareholder approval, the company should acquire the 77,368,338 non-voting convertible shares, following their conversion into ordinary shares, and hold those shares as treasury shares.

#### Annual general meeting

The company's annual general meeting for 2008 will be held at the InterContinental London Park Lane, One Hamilton Place, London, W1V 7QY, UK at 11:00 am on Thursday 31 July 2008. Notice of this meeting may be obtained from the company's website.

#### Donations

During the year the group invested US\$30 million in corporate social investment programmes, of which US\$10,855,000 represented charitable donations. Of this amount US\$99,410 were charitable donations made by the company and Miller Brands (UK) Limited for the benefit of various causes, both in the UK and overseas, comprising donations in respect of community development, health and education, the environment and other causes.

It remains the group's policy that political donations are only made by exception, and where permitted by local laws, and must be consistent with building multi-party democracy.

Miller Brewing Company made contributions to individual candidates for political office and to party committees in the USA, where permitted by applicable campaign finance laws. Political donations in the USA are an accepted part of the local socio-political environment. These contributions amounted to US\$603,940 in aggregate.

The board has reaffirmed the group's policy not to make donations to political organisations in the European Union.

#### Employment policies

The aim of the group is to be the employer of choice in each country in which it operates. In order to achieve this, each operating company designs employment policies which attract, retain and motivate the highest quality of staff.

The group is 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, national origin, race, disability, marital status, sexual orientation, religion or trade union affiliation.

#### Research and development

The group continues to invest in research and development leading to new products, packages and processes, as well as new manufacturing technologies to improve overall operational effectiveness. The group's upstream scientific research continues to yield solid progress in brewing, raw materials, flavour stability, packaging materials and environmental performances. During the year under review, the aggregate amount spent by the group on research and development was US\$9 million (2007: US\$6 million).

#### Payment of suppliers

The group's policy is to pay invoices in accordance with the terms of payment agreed in advance. At the year end, the amount owed by the group to trade creditors was equivalent to 56.7 days (2007: 60.9 days) of purchases from suppliers.

#### Overseas branches

The company does not have any branches registered overseas.

#### Going concern and audit

Page 60 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.

So far as each 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 necessary that he or she ought to have taken as a director in order to make himself or herself aware of the relevant audit information and to establish that the group's auditors are aware of that information.

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 are categorised as qualifying third-party indemnities for the purposes of the Companies Act and 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 14 May 2008 and of persons with significant direct or indirect holdings known to the company at year end are set out in the ordinary shareholding analyses on page 149 of this annual report.

#### Financial instruments

Information on the financial risk management objectives and policies of the group and details of the group's exposure to price risk, credit risk, liquidity risk and cash flow risk are contained in Note 22 to the consolidated financial statements.

#### Other Companies Act disclosures

Following the implementation of the Takeovers Directive into UK law, the directors' report is required to disclose certain additional information, irrespective of whether the company is involved in a takeover situation.

The structure of the company's 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 25 to the consolidated financial statements. There are no securities of the company that grant the holder special control rights.

At year end the company's employee benefit trust held 4,644,176 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 company's memorandum and 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. Such powers are subject to renewal by the shareholders of the company each year at the annual general meeting.

The company's 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. The appointment of directors by the board is subject to re-appointment by the shareholders at the next annual general meeting of the company. Additionally, as disclosed in the corporate governance report on pages 34 to 41, Altria and 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.

The company's 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 Official List, the board may not refuse to register the transfer if this would prevent dealings in the company's shares from taking place on an open and proper basis. They 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 the register of the company 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 Limited ('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.

In addition, subject to the Regulations, and each Act and statutory instrument concerning and affecting companies for the time being in force, and in exceptional circumstances approved by the FSA, the board may refuse to register a transfer of a share (including a fully paid share) if the refusal does not disturb the market in the company's shares.

Pursuant to the company's code for securities transactions, directors 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 him/her 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 him/her to the company in respect of that share remains unpaid. In addition, no shareholder shall be entitled to vote if he/she has been served with a notice after failing to provide the company with information concerning interests in those shares required to be provided under the Companies Acts. Restrictions on the rights of the holders of convertible shares, non-voting convertible shares and deferred shares are set out in Note 25.

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.

The company is also required to disclose any significant agreements that take effect, alter or terminate upon a change of control following a takeover bid. The company has 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. Similarly, in certain circumstances a change of control may give the company's joint venture partner, China Resources Enterprise, Limited the ability to exercise certain rights under a shareholder agreement in relation to the company's associate CR Snow.

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.

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

2 June 2008

# Remuneration report

## Introduction

This report and the recommendations of the remuneration committee have been approved by the board and will be submitted to shareholders for approval at the 2008 annual general meeting.

Other than as is specifically indicated in this report, the committee intends to apply the same policies to each component of executive director remuneration in the future as in the year under review.

This report complies with the Directors' Remuneration Report Regulations 2002, and, except where noted below, the company applied throughout the reporting year the provisions of the 2006 Combined Code relating to remuneration.

## Information not subject to audit

### Composition and terms of reference of the remuneration committee

During the year ended 31 March 2008, the members of the committee were Mr Morland (Chairman), Lord Fellowes, Mr Manser and Mr Manzoni. Lord Renwick of Clifton, Mr Bible, Mr Santo Domingo and Mr Kahn joined meetings as observers. Also present were the Chief Executive, Mr Mackay; the General Counsel and Company Secretary, Mr Davidson; the Deputy Company Secretary, Mr Shapiro; and the Group Head of Compensation and Benefits, Mr Scoones, other than when their own remuneration was discussed.

The committee deals with the remuneration of the executive directors and other members of the executive committee, as well as approving all grants and awards under the company's share incentive plans, in accordance with terms of reference approved by the board. Consideration is also given to the company's group-wide compensation and incentive policies to ensure alignment.

### 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 Company 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, and equity usage through share incentive plans.

Kepler Associates and Mercer Human Resource Consulting have been appointed by the committee to provide advice on market information and other remuneration matters. Kepler Associates does not provide any other advice or services to the group. Mercer also provides advice to the company on pensions and risk matters.

## Remuneration policies

In terms of the group's remuneration philosophy, the committee remains of the view that the overall effect of the revisions which were made to the group's long-term incentive plans in 2006, taking account of the share option and performance share target numbers at current values, has been to target executive directors' total compensation – excluding pensions – at or near the comparative upper quartile, if and only if upper quartile performance is delivered. In its review of the incentive plans, the Committee has placed shareholder interest and shareholder alignment at the forefront, alongside the need to reaffirm that senior executives, within the bounds of appropriate governance limitations, will have confidence that the incentive plans will deliver superior reward for superior performance, and little or no incentive reward for average or under-performance. Any review of the level of incentive performance will be guided by this philosophy.

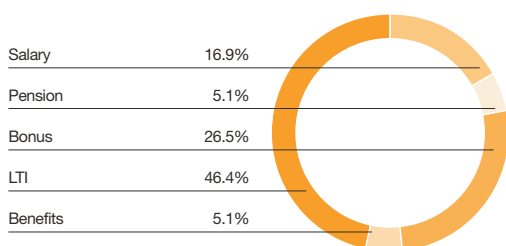
The committee's policy is to ensure that executive directors and members of the executive committee are rewarded for their contribution to the group's operating and financial performance at levels which take account of industry, market and country benchmarks, and that their remuneration is appropriate to their scale of responsibility and performance, and will attract, motivate and retain individuals of the necessary calibre. The committee takes account of the need to be competitive in the different parts of the world in which the company operates.

The committee has implemented its policy of agreeing a remuneration package for each executive director comprising an annual base salary, an annual cash bonus, long-term incentives through participation in share option and share award plans, pension contributions, other security and health benefits, and benefits in kind. The base salaries, pensions and other benefits provided are intended to establish a level of fixed pay which is competitive with appropriate comparators. The variable pay elements provided by short-term and long-term incentives form a significant proportion of executive directors' pay and are intended to provide the opportunity for executives to earn superior total pay for superior company and individual performance. 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 target bonus and fair value of the long-term share-based compensation awarded in the year under review. The ratios accord with the committee's policy on the balance between fixed and variable pay.

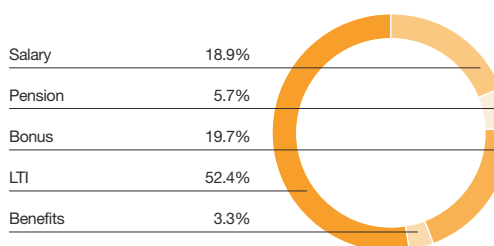
	Salary £	Retirement £	Benefits £	Bonus £	LTI £	Total £	Fixed %	Variable %
EAG Mackay	1,020,000	306,000	310,055	1,606,000	2,805,233	6,047,288	27	73
MI Wyman	615,000	184,500	107,011	640,000	1,707,533	3,254,044	28	72

## Performance-related compensation (%)

### EAG Mackay



### MI Wyman



Share incentives are considered to be critical elements of executive remuneration policy, to align the interests of the executive directors and executive committee members with the interests of shareholders. The committee considers that all elements of the package are of importance in supporting the group's remuneration policy.

In setting target remuneration levels for the executive directors the committee has regard to the 30 FTSE companies ranked in the 15 places above and below SABMiller plc in terms of market capitalisation. The committee also continued to have regard to pay levels and practices in the company's principal international competitors and in companies in the USA and South Africa comparable to its divisions in those countries.

As previously reported, in 2006 the committee revised the structure of pay arrangements for the executive directors and members of the executive committee, including grant levels, performance criteria and vesting schedules. The committee removed the limited retesting provision of the performance condition for vesting of options granted under the company's Approved and No. 2 Schemes (as defined on page 51) for all future awards under these plans. The committee also discontinued the previous practice of awarding matching shares under the Performance Share Scheme (whereby executives who retained ownership of shares awarded to them after the initial three-year performance period, and who remained in employment with the group for a further two-year period, became eligible to receive an additional 50% of the initial number of shares vesting) and decided instead that the additional 50% would be incorporated into the initial award and a separate performance condition applied to this portion of the award over a five-year period. These changes were applied to the options granted and awards made in May 2006 and in subsequent years.

The committee also considered in 2006 the need to ensure an appropriate balance of performance measures in the group's long-term incentives. The committee decided that vesting for 50% of future awards of performance shares would be subject to SABMiller's Total Shareholder Return (TSR) performance condition, and 50% would be subject to three-year adjusted earnings per share (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 (listed on page 52). For the three-year period ending 2010, the committee set last year an EPS growth target of 11% p.a. for full vesting with threshold vesting of 25% at 6% p.a., measured in US dollars. For regional managing directors the profit element was based on regional, segmental EBITA targets over the three-year fiscal cycle for their respective regions. For the three-year period ending 2011, the committee has set an EPS growth target of 10% p.a. for full vesting with threshold vesting of 25% at 6% p.a., measured in US dollars. However, for this and for future three-year periods, the committee has decided to discontinue the practice of setting regional segmental EBITA targets for regional managing directors, and instead to apply the group EPS growth targets for their awards, on the same basis as for the executive directors. After two years' experience, the committee has concluded that as a practical matter, the use of regional EBITA goals raises difficult issues of equity among the regions, and that there are structural biases (most significantly, foreign exchange) built into the regional system which discriminate against some regions more than others, and which can detract significantly from the line-of-sight value of regional goals.

The committee reviewed last year the way in which the TSR performance condition should operate in the case of TSR performance above the median of the peer group. It determined that for the three-year period ending 2010 and for future periods, the maximum number of shares should be earned if the company's TSR for the period exceeds the median by 25% with respect to the three-year vesting test and by 33% with respect to the five-year vesting test. Of the maximum number of shares, 25% will continue to be earned for TSR performance at the median of the peer group. Intermediate outcomes will result in a pro rata number of shares earned.

The committee decided in 2006 to discontinue the approach of adopting a fixed ratio for maximum awards to salary and changed to a fixed 'number of shares' approach to long-term incentive awards, in order to decouple salary from long-term incentive values and to avoid the perverse effect of the typical multiple of salary approach, which automatically awards more shares when the share prices declines and fewer shares when the price increases. This fixed number of shares approach also avoids potentially inappropriate changes in the size of awards simply as a result of share price volatility in times of market turbulence which is unrelated to company performance. The 'number of shares' approach also facilitates a more equitable distribution of share awards among executives below board level across the various jurisdictions in which the group operates. As to the future, the committee's expressed intention is that reviews of the appropriate level of long-term incentives are expected to be conducted at approximately three yearly intervals, and in the absence of wholly exceptional circumstances, the 2006 level of long-term incentive should remain unchanged until the next review. The long-term incentive awards in 2007 and 2008 have accordingly been made at the same level as in 2006, and will be subject to more detailed review in 2009 in accordance with this philosophy.

### Base pay

The committee reviews the salaries of executive directors at the beginning of each financial year. Details of the salaries applying from 1 April 2008 and the percentage changes from 31 March 2008 levels for the executive directors are shown in the table below:

Executive directors at 31 March 2008	2008 Salary £	2009 Salary £	% change from 2008
EAG Mackay	1,020,000	1,100,000	7.8
MI Wyman	615,000	660,000	7.3

The committee received advice from consultants and the Chief Executive on appropriate pay levels for the other members of the company's executive committee:

- for those executives based in the UK, salaries were determined by reference to appropriate UK benchmarks;
- for those executives, other than those resident in the USA, whose primary responsibilities were for operations of business units outside the UK, part of base pay was related to appropriate benchmarks in their theatres of operation and the balance to UK pay levels;
- in the case of the executives responsible for the South African, European and Africa/Asia operations respectively, salary was determined on the assessment that 30% of their time was spent on SABMiller plc duties and therefore related to the UK and global markets, while 70% was spent on duties for their businesses in their regions; and
- US salary levels have been determined by reference to the relevant US market comparators.

### Annual incentive plans

Each of the executive directors and members of the executive committee is entitled to participate in an annual bonus plan that rewards the achievement of group financial, divisional financial (where applicable), 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 bonuses of up to 120% of their base salary in the UK and 150% in the USA and South Africa.

The group financial performance targets for executive director annual incentive plans relate to adjusted EPS growth and EBITA. The committee believes that linking short-term incentives to profit growth reinforces the company's business objectives. The divisional financial targets vary according to divisional value drivers derived from group needs and include EBITA, sales volumes, and other appropriate measurements. Financial performance targets comprise 60% of the incentive bonus potential. The strategic and personal targets which make up the remaining 40% are specific and measurable, and include a range of specific non-financial key performance indicators in appropriate circumstances. 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, while ensuring that the incentive structure for executive directors does not raise the risks relating to environmental, social and governance issues by inadvertently motivating irresponsible behaviour.

At its meeting on 13 May 2008, the committee received assessments of the performance of the executives participating in the bonus plans against their agreed targets. In light of the achievement against the group financial targets and the levels of achievement against their strategic and personal objectives, the committee agreed the payments of bonuses as shown below to the executive directors:

	2008 Bonus £	% of salary	% achievement
EAG Mackay	1,606,000	157	90
MI Wyman	640,000	104	87

### Long-term incentive plans

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

#### Share Option Plans

At the time of its primary listing on the London Stock Exchange in 1999, the company established and has since operated:

- the SABMiller plc Approved Share Option Scheme (Approved Scheme) approved by Her Majesty's Revenue and Customs in the United Kingdom;
- the SABMiller plc Executive Share Option (No. 2) Scheme (No. 2 Scheme); and
- the SABMiller plc Mirror Executive Share Purchase Scheme (South Africa) (Mirror Scheme).

On the acquisition of Miller in 2002, shareholders approved the establishment of share incentive arrangements for international employees of the group, principally in the Americas. These arrangements comprised:

- the SABMiller plc International Employee Share Scheme (International Scheme); and
- the SABMiller plc International Employee Stock Appreciation Rights Scheme (SARs Scheme).

All grants of options or rights over shares under these plans have to be at the market value of the company's shares at the time of grant. These are issued, usually annually, to participating employees on the basis of assessment of performance and potential and vest over defined time periods in line with local market conditions.

The tables on page 57 to 59 give details of the grants made to the executive directors in 2007, those exercised during the year and those still outstanding and unexercised from previous years.

In the year under review, options over 230,000 shares were granted to the Chief Executive and options over 140,000 shares to the Chief Financial Officer (with other executive committee members employed in the UK being granted options over 215,000 shares in the aggregate, depending on their roles and responsibilities). For these annual grants, vesting is based on a sliding scale performance condition, subject to testing at the third anniversary of grant from a fixed base, for 67% of the award and a further test at the fifth anniversary of grant from a fixed base, for the remaining 33% of the award.

Options granted to executives under the Approved and the No. 2 Schemes may normally only be exercised between three and 10 years after grant. The right to exercise is dependent on the achievement of adjusted EPS growth targets, calculated on the basis of the definition of Headline Earnings in the new South African Circular 8/2007, chosen because of their ready visibility both to executives and to shareholders. The adjusted EPS performance conditions for options granted under these schemes have been as follows:

- options granted prior to 2002 to each executive director had a performance condition for vesting which required growth in adjusted EPS (expressed in sterling) of 3% per annum compound in excess of the change in the Retail Price Index (RPI) over any three-year period within the 10-year option life. This performance condition was satisfied in respect of all options granted to executive directors in 1999, 2000 and 2001;
- options granted to executive directors in 2002 and until 2005 have a performance condition that the base annual award (determined by reference to the previous grant levels of 130% of annual salary for the Chief Executive, 115% of annual salary for other executive directors and up to 100% for other participants) would vest at compound annualised adjusted EPS growth of RPI + 3% subject to testing at three, four and five-year intervals from a fixed base. Half of any additional annual amount would vest at RPI + 4%; and the other half of any additional annual amount would vest at RPI + 5% compound adjusted EPS growth, measured from a fixed base and only capable of testing after three, four or five years. After the five-year test any unvested portion of the option will lapse. Details of the EPS levels of achievement by comparison with the RPI movement over the respective periods are given in the notes to the share option scheme tables on page 57; and
- options granted in 2006 and onwards to each executive director have the same performance conditions as for awards made from 2002 to 2005, but the retesting provision has been removed and the performance tests are applied to two-thirds of the award after three years and one-third of the award after five years.

Following the announcement of the results for the financial year, Mercer undertook for the committee an assessment of whether the performance condition applying to the vesting of any option had been met. This assessment was reviewed by the company's auditors.

## Performance Share Award Plans

The company operates the following Performance Share Award Schemes:

- the SABMiller plc Performance Share Award Scheme (Performance Share Scheme); and
- the SABMiller plc International Performance Share Award Sub-Scheme(s) (Performance Sub-Scheme(s)).

The Performance Share Scheme is used for awards to the executive directors, and is operated in conjunction with the company's Employees' Benefit Trust (EBT). The trustee of the EBT grants awards in consultation with the company. Awards made under the plan prior to 2006 are subject solely to TSR performance conditions applied after three years from date of grant, with a provision that if vested awards are retained for a further two years they will automatically be increased by an allocation of 50% of the number of shares in the original award that vested.

Relative TSR was chosen as the performance measure because it allows for performance to be measured relative to other companies and reflects the benefit to shareholders of management effort. For the purpose of calculating TSR 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.

In 2006, the committee determined that 50% of awards under this plan should be subject to a TSR performance condition and 50% to an adjusted EPS growth performance condition. For 50% of the awards made under this plan in 2006, vesting occurs only if three-year TSR (change in value of a share and reinvested dividends over the period), exceeds the median TSR of a comparator group of companies identified at the time of award. On reaching the median performance of the relevant comparator group, 25% of the award vests and on reaching at least the upper quartile, 100% of the award vests. Between these levels of achievement awards vest pro rata. The TSR test is applied to two-thirds of this part of the award after three years and to one-third of this part of the award after five years.

The remaining 50% of the award granted is subject to three-year adjusted EPS growth, with targets 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, MolsonCoors and Scottish & Newcastle (although Scottish & Newcastle has been dropped from this group for the purposes of awards made in 2008). For awards made in the year under review the committee set an EPS growth target of 11% p.a. for full vesting, with threshold vesting of 25% at 6% p.a., and pro rata vesting between these levels of achievement. For regional managing directors the profit element is based on regional, segmental EBITA targets over the three-year fiscal cycle for their respective regions awarded under the Performance Sub-Scheme. As noted above, for 2008 and future years, the committee has decided to discontinue the practice of setting regional segmental EBITA targets for regional

managing directors, and instead to apply the group EPS growth targets for their awards, on the same basis as for the executive directors.

In the year under review, awards of 230,000 shares were made to the Chief Executive and 140,000 shares to the Chief Financial Officer (with awards of 820,000 shares being made to other executive committee members in the aggregate, depending on their roles and responsibilities). The table on page 58 gives details of the awards made to executive directors in 2007; those still outstanding for 2006; and those made in 2004 and 2005 which vested in 2007 and 2008. Details of the relative TSR performance achieved for vesting of the 2004 and 2005 awards are given in the notes to the table.

The companies comprising the two TSR comparator groups for all the performance share awards under the Performance Share Scheme which had vested during 2007 or had not yet vested or lapsed at 31 March 2008 are listed below.

2003 and 2004 awards	2005 and future awards
*Ambev	Anheuser Busch
Anheuser Busch	Asahi Breweries
Asahi Breweries	Carlsberg A
Asia Pacific Breweries	Constellation Brands
*Bavaria	Diageo
Carlsberg A	Femsa
*Coors Adolph B	Fosters
Femsa	*Grolsch
Fosters	Heineken
Greene King	Inbev
*Grolsch	Kirin Brewery
*Hartwall A	Lion Nathan
Heineken	*MolsonCoors
*Interbrew	Pernod Ricard
Kirin Brewery	Sapporo Breweries
Lion Nathan	*Scottish & Newcastle
*Molson A	
*Quinsa	
San Miguel B	
Sapporo Breweries	
*Scottish & Newcastle	
*Wolverhampton & Dudley	

\* Notes: Hartwall A was acquired by Scottish & Newcastle in December 2002. Wolverhampton & Dudley plc changed its name to Marston's plc on 8 January 2007. Ambev merged into Interbrew which changed its name to Inbev on 29 March 2005 and has been removed from future measurement from that date. Coors and Molson merged on 9 February 2005 and have been replaced for future measurement by MolsonCoors Brewing Company. Bavaria was consolidated into SABMiller plc with effect from 12 October 2005 and has been removed from the comparator group for the 2004 awards. Quinsa was consolidated into Ambev with effect from 9 August 2006 and has been removed from the comparator group for the 2004 awards. Grolsch was consolidated into SABMiller with effect from 12 February 2008 and has been removed from both comparator groups. Scottish & Newcastle has been removed from both comparator groups with effect from April 2008.

During the year Mercer undertook the assessment of the company's TSR performance relative to the comparator groups. The methodology used and the final results for each award are subject to review by the company's auditors.

At its meeting in May 2004 the committee approved the establishment of the Performance Sub-Scheme, within the provisions of the Performance Share Scheme, to replace a cash long-term incentive plan previously applicable to senior executives at Miller. The plan is also operated in conjunction with the company's EBT.

The trustee of the EBT grants awards in consultation with the company. Annual awards made under the Performance Sub-Scheme are subject to financial performance conditions and will normally vest after three years. In order to deal with the transition from the old Miller LTIP, which had end-to-end three-year cycles, the first awards made under the new plan comprised both two-year and three-year cycles, with both sets of awards being subject to a performance condition requiring Miller EBITA to reach specified levels over two and three years.

In 2006, the committee extended the provisions of this plan to the South American business, with a first two-year and three-year cycle beginning on 1 April 2006. This has also been extended to other regional hub businesses with a three-year fiscal cycle only. The performance condition specified is that their respective regional EBITA reach a specified level over three years or two years, as the case may be.

#### Dilution

Taking account of all share options granted over the nine years to 31 March 2008 under all the company's share option schemes since listing on 8 March 1999, less lapses, potential dilution amounts to 2.62% of the issued ordinary shares of the company on 31 March 2008. Obligations under the company's other long-term incentive schemes are settled by the EBT from shares purchased in the market. The calculation excludes outstanding options granted under the closed SAB Executive Share Purchase Scheme prior to listing, as was disclosed in the original listing particulars. At 31 March 2008 the number of shares held in the EBT was 4,644,176, representing 0.31% of issued ordinary shares of the company.

During the year 1,411,702 ordinary shares were purchased by the trustee on behalf of the EBT (at an average price of £11.68 per share) which amounted to 0.09% of the issued ordinary shares of the company, in order to ensure that the EBT continued to hold sufficient ordinary shares to meet potential future obligations in respect of performance shares conditionally awarded under the Performance Share Award Schemes. The total consideration paid amounted to £16,491,853.32.

#### 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 its new acquisitions.

The rate of contribution from the company as a percentage of salaries paid in sterling is set at 30% for the executive directors. During the year the company made contributions for the executive directors to the SABMiller plc Staff Pension Scheme, an Approved Occupational Pension Scheme. Contributions were paid in respect of each executive director to the extent appropriate in light of the changes to government pension allowances that took effect in 2006, with any excess credited in an unfunded corporate plan. The value of contributions made to each executive director during the financial year is included in a note to the table of directors' emoluments on page 56.

#### 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. A 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	28/07/2005	July 2008
MI Wyman	26/02/1999	08/02/1999	31/07/2007	July 2010

#### Other benefits

The executive directors are provided with medical insurance, permanent health insurance, company car allowance, accompanied travel, legal and professional fees, club subscriptions, death in service benefit and occasional London accommodation. The estimated values of these provisions are included in the summary of emoluments paid table on page 56.

#### Non-executive directors' fees

Non-executive directors' fees are shown in the table below, and were unchanged during the year.

Fee category	£
Basic fee	55,000
<b>Committee Chairs (inclusive)</b>	
– Audit	20,000
– Remuneration	18,000
– CARAC	16,000
– Nomination	10,000
<b>Committee Members</b>	
– Audit	10,000
– Remuneration	8,000
– CARAC	6,000
– Nomination	–
<b>Senior Independent Director</b>	10,000

The annual fee for the Chairman was unchanged at £200,000, and he is also provided with an office, a secretary and a car, as well as medical insurance and professional fees.

The non-executive directors do not participate in any of the group's incentive schemes, nor do they receive any other benefits (other than their beverage allocation) or pension rights. Non-executive directors do not have service contracts. The non-executive directors' dates of appointment and dates next due for re-election to the board are shown in the table below.

	Date first appointed to the board	Date of letter of appointment	Date next due for re-election
GC Bible	01/08/2002	27/09/2002	July 2009
DS Devitre	16/05/2007	16/05/2007	July 2010
ME Doherty	01/04/2006	07/03/2006	July 2009
Lord Fellowes*	08/02/1999	23/02/1999	July 2008
JM Kahn*	08/02/1999	23/02/1999	July 2008
PJ Manser	01/06/2001	20/06/2001	July 2010
JA Manzoni	01/08/2004	12/05/2004	July 2008
MQ Morland*	08/02/1999	23/02/1999	July 2008
CA Pérez Dávila	09/11/2005	12/10/2005	July 2009
R Pieterse***	15/05/2008	09/06/2008	July 2008
MC Ramaphosa*	08/02/1999	23/02/1999	July 2008
M Ramos***	15/05/2008	09/06/2008	July 2008
Lord Renwick of Clifton **	08/02/1999	23/02/1999	Retiring in July 2008
A Santo Domingo Dávila	09/11/2005	12/10/2005	July 2009

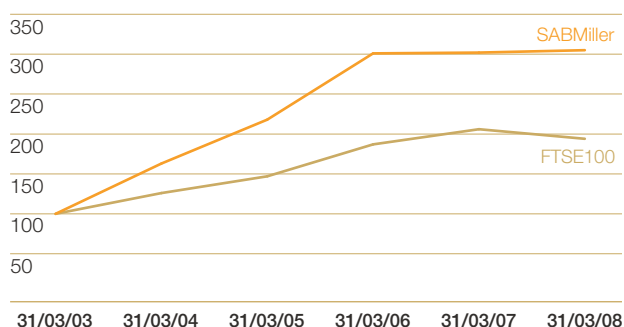
\* Lord Fellowes, Mr Kahn, Mr Morland and Mr Ramaphosa will be obliged to submit themselves to annual re-election to the board with effect from July 2008 as a result of having served on the board continuously for nine years.

\*\* Lord Renwick was last re-elected to the board in July 2006, but has confirmed his intention to stand down from the board in July 2008.

\*\*\* Ms Ramos and Mr Pieterse were appointed to the board on 15 May 2008, and are therefore obliged to submit themselves to election by shareholders in July 2008.

## Performance review

### Total shareholder return (£ sterling)



The graph above compares the company's TSR over the period from 1 April 2003 to 31 March 2008 with the FTSE 100 Total Return Index over the same period.

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



### Directors' beneficial interests in shares of the company

Director	Beneficial holding as at 31 March 2007	Non-beneficial holding as at 31 March 2007 and 2008	Purchased/(sold) during the year	Beneficial holding as at 31 March 2008
JM Kahn	1,670,578*	–	–	1,670,578
EAG Mackay	566,287	–	69,595**	–
	–	–	(28,534)**	–
	–	–	50,395**	–
	–	–	(20,662)**	–
	–	–	120,000**	–
	–	–	(49,200)**	707,881
MI Wyman	368,987	–	31,936**	–
	–	–	(13,094)**	–
	–	–	23,335**	–
	–	–	(9,568)**	–
	–	–	80,000**	–
	–	–	(32,800)**	–
	–	–	30,000***	–
	–	–	(30,000)***	–
	–	–	10,000***	–
	–	–	(10,000)***	–
	–	–	10,000***	–
	–	–	(10,000)***	448,796
GC Bible	–	–	–	–
DS Devitre	–	–	–	–
ME Doherty	–	–	–	–
Lord Fellowes	1,000	–	–	1,000
PJ Manser	7,500	–	(7,500)	–
JA Manzoni	–	–	–	–
MQ Morland	20,000	–	10,000	30,000
CA Pérez Dávila	–	–	–	–
R Pieterse	–	–	–	–
MC Ramaphosa	–	4,000	–	–
M Ramos	–	–	–	–
Lord Renwick of Clifton	9,000	–	–	9,000
A Santo Domingo Dávila	–	–	–	–

\* 400,000 of this total is held by the Meyer Kahn Family Trust.

\*\* Vested share awards and subsequent sale of awards to settle PAYE and NIC on the gross award vested. See also Performance Share Award Scheme table.

\*\*\* Implementation of deferred rights and options under the SABMiller Executive Share Purchase Scheme. See also SABMiller Executive Share Purchase Scheme table.

The beneficial interests remain unchanged at 6 May 2008.

After the year end, the executive directors' 2005 performance share awards were tested against TSR performance criteria, the results of which were below median and therefore all 2005 awards lapsed.

## Information subject to audit

### Directors' emoluments

The directors' emoluments in the year ended 31 March 2008 in total have been audited and are set out in the table below:

### Emoluments paid for the period 1 April 2007 to 31 March 2008

Name	2008 Salary/ fees £	2007 Salary/ fees £	2008 Expense allowances £	2008 Benefits £	2008 Total (excluding bonus) £	2008 Bonus £	2008 Total £	2007 Total £
<b>Executive directors</b>								
EAG Mackay	1,020,000	950,000	–	310,055*	1,330,055	1,606,000	2,936,055	2,520,032
MI Wyman	615,000	575,000	–	107,011	722,011	640,000	1,362,011	1,292,227
Total (A)							<b>4,298,066</b>	<b>3,812,259</b>
<b>Non-executive directors</b>								
GC Bible	–	–	–	–	–	–	–	–
N De Lisi	–	–	–	–	–	–	–	–
DS Devitre	–	–	–	–	–	–	–	–
ME Doherty	65,000	58,500	–	186	65,186	–	65,186	58,672
Lord Fellowes	99,000	87,500	–	54	99,054	–	99,054	87,537
JM Kahn	206,000	205,500	–	1,149	207,149	–	207,149	207,175
PJ Manser	89,000	80,000	–	323	89,323	–	89,323	80,238
JA Manzoni	69,000	62,500	–	242	69,242	–	69,242	62,734
MQ Morland	83,000	74,500	–	323	83,323	–	83,323	74,722
CA Pérez Dávila	55,000	50,000	–	190	55,190	–	55,190	50,190
R Pieterse	–	–	–	–	–	–	–	–
MC Ramaphosa	61,000	55,500	–	42	61,042	–	61,042	55,542
M Ramos	–	–	–	–	–	–	–	–
Lord Renwick of Clifton	65,000	59,000	–	–	65,000	–	65,000	59,000
A Santo Domingo Dávila	55,000	50,000	–	230	55,230	–	55,230	50,230
Total (B)							<b>849,739</b>	<b>786,040</b>
<b>Grand total (A + B)</b>							<b>5,147,805</b>	<b>4,598,299</b>

Mr Bible, Ms De Lisi and Mr Devitre have waived their fees. Ms De Lisi resigned from the board on 30 April 2007, and Mr DS Devitre was appointed to the board in her place on 16 May 2007.

Ms Ramos and Mr Pieterse were appointed to the board on 15 May 2008.

The total emoluments reported for 2007 and 2008 exclude retirement contributions made by the company to the pension schemes as detailed above. Retirement contributions were paid on behalf of Mr Mackay and Mr Wyman in the amounts of £225,000 and £184,500 respectively being within the annual allowance (2007: £215,000 and £172,500), and contributions of £81,000 in excess of the annual allowance were paid on behalf of Mr Mackay (2007: £70,000).

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 account. Mr Mackay receives from Reckitt Benckiser Group plc an annual fee of £70,000 which he is permitted to retain, relating to his appointment as a non-executive director of Reckitt Benckiser Group plc. A proportion of this fee is applied to the purchase of Reckitt Benckiser Group plc ordinary shares.

\* Included in benefits is a long-term service cash bonus for Mr Mackay in recognition of 30 years' service, in accordance with SABMiller long-term service group policy. The other items included within benefits are given on page 53.

### Share incentive plans

The interests of the executive directors in shares of the company provided in the form of options and awards since listing on 8 March 1999 are shown in the tables below, which have been audited. During the year to 31 March 2008 the highest and lowest market prices for the company's shares were £14.92 and £9.95 respectively and the market price on 31 March 2008 was £11.04.

The tables below contain the aggregate expected values of each option grant or performance share award. The expected values of grants and awards made prior to November 2002 are the values previously disclosed in the Directors' Remuneration Reports up to 2003 and were calculated by Mercer. The expected values for the grants and awards made from 2003 to 2007 have been calculated by Mercer using:

- a binomial valuation model for the options that uses daily share price data and takes account of the option grant date, exercise price and risk-free rate of return, with assumptions as to dividend yield, future volatility and forfeiture; and
- a Monte Carlo simulation model for the performance share awards using the same inputs and assumptions as for the binomial model, but which projects, many thousands of times, the share price of the company along with the share prices of the comparator group stocks to determine correlations between the companies. This produces a distribution of share prices and TSR rankings thus allowing complex market-based hurdles to be modelled.

The methods of calculation of expected values have not been audited by PricewaterhouseCoopers LLP.

### SABMiller plc Approved Share Option Scheme

Director	No. of share options as at 31 March 2007	No. of share options granted during the year	No. of share options exercised during the year	Subscription price £	Exercisable 3 – 10 years from	No. of share options as at 31 March 2008	Expected value £
EAG Mackay	5,586	–	–	5.37	16/03/1999	5,586	13,200
MI Wyman	3,623	–	–	8.28	20/05/2005	3,623	8,188

The terms and conditions of the options, including the performance conditions to which their vesting is subject, are set out on page 51.

### SABMiller plc Executive Share Option (No. 2) Scheme

Director	No. of share options as at 31 March 2007	No. of share options granted during the year	No. of share options vested during the year	No. of share options exercised during the year	Sale price/market price £	Subscription price £	Exercisable 3 – 10 years from	No. of share options as at 31 March 2008	Expected value £
EAG Mackay	112,577	–	–	–	–	4.85	09/03/1999	112,577	240,239
	159,416	–	–	–	–	4.11	02/06/2000	159,416	262,080
	161,589	–	–	–	–	5.16	01/06/2001	161,589	258,478
	201,578	–	–	–	–	5.705	31/05/2002	201,578	391,001
	327,721	–	–	–	–	4.1575	23/05/2003	327,721	426,037
	222,704	–	222,704**	–	–	6.605	21/05/2004	222,704	425,365
	211,353*	–	–	–	–	8.28	20/05/2005	211,353	477,658
	230,000	–	–	–	–	10.61	19/05/2006	230,000	642,467
–	230,000	–	–	–	–	11.67	18/05/2007	230,000	818,033
								<b>1,856,938</b>	
MI Wyman	88,857	–	–	–	–	5.16	01/06/2001	88,857	142,136
	93,339	–	–	–	–	5.705	31/05/2002	93,339	181,050
	102,195	–	102,195**	–	–	6.605	21/05/2004	102,195	195,192
	91,486*	–	–	–	–	8.28	20/05/2005	91,486	206,758
	140,000	–	–	–	–	10.61	19/05/2006	140,000	391,067
	–	140,000	–	–	–	–	11.67	18/05/2007	140,000
								<b>655,877</b>	

The expected values as shown are aggregates of the Black-Scholes values of each option grant up to 31 May 2002. The Black-Scholes values have been calculated using a model that uses daily share price and data and takes account of the option grant date, exercise price and time to maturity, with assumptions as to dividend yield and the risk-free rate of return. Options granted from 23 May 2003 onwards are valued using the binomial method.

\* The share options indicated were eligible to be tested against the performance condition described in this report for the three years ended 31 March 2008. The performance hurdle having been exceeded, these share options are eligible to be exercised as at 20 May 2008.

\*\* The mid-market close on 21 May 2007 was £11.80.

Note: Mr Mackay and Mr Wyman were granted 230,000 and 140,000 share options respectively at a subscription price of £12.50 per share on 16 May 2008.

In the year under review, options granted under the Approved and No. 2 Schemes in 2004 vested and became exercisable as the company's adjusted EPS for the year to 31 March 2007, at 63.4 pence (converted from US\$ at the average exchange rate over the period 1 April 2006 to 31 March 2007) was more than 26.5% higher (the aggregate of RPI movement and 5% per annum compound growth) than the adjusted EPS of 45.8 pence for the year ended 31 March 2004 (the base year calculation of the performance condition) converted from US\$ at the average exchange rate for the period from 1 April 2003 to 31 March 2004.

The terms and conditions of the options, including the performance conditions to which their vesting is subject, are set out on page 51.

**SABMiller plc Performance Share Award Scheme**

The terms and conditions of the awards, including the performance conditions to which their vesting is subject, are set out on pages 52 and 53.

**Table A Awards Unvested at 31 March 2007 to 31 March 2008**

Director	No. of shares under conditional base awards as at 31 March 2007	No. of shares granted during the year*	Expected value £	Maximum additional shares that could be awarded after vesting	Expected value £	Performance period 3 years from	Awards vested during the year	Awards lapsed during the year	No. of shares under conditional awards as at 31 March 2008
EAG Mackay	111,352**	–	395,300	34,798	115,876	21/05/2004	69,595	41,757	–
	105,676***	–	466,031	52,838	221,920	20/05/2005	–	–	105,676
	230,000	–	1,731,517	n/a	n/a	19/05/2006	–	–	230,000
	–	230,000	1,987,200	n/a	n/a	18/05/2007	–	–	230,000
									<b>565,676</b>
MI Wyman	51,098**	–	181,398	15,968	53,174	21/05/2004	31,936	19,162	–
	47,554***	–	209,713	23,777	99,863	20/05/2005	–	–	47,554
	140,000	–	1,053,967	n/a	n/a	19/05/2006	–	–	140,000
	–	140,000	1,209,600	n/a	n/a	18/05/2007	–	–	140,000
									<b>327,554</b>

\* The face value (market value at the time of the award) of these nil cost conditional awards is assumed to be £5.705 for the 31 May 2002 tranche, £4.77 for the 9 July 2002 tranche, £4.1575 for the 23 May 2003 tranche, £6.605 for the 21 May 2004 tranche, £8.28 for the 20 May 2005 tranche, £10.61 for the 19 May 2006 tranche and £11.67 for the 18 May 2007 tranche for the purposes of the expected value calculations. The expected values shown are the aggregate expected values of all outstanding awards estimated by reference to the probabilities of any portion of each award vesting.

\*\* As these vested during the year, as to 62.5% of maximum, they are also shown in the vested table below. They are retained in this schedule to show full amount granted and correlating expected value.

\*\*\* After the year end, the 20 May 2005 tranche was tested against TSR performance criteria, the results of which were below median and therefore all of the awards comprised in the 20 May 2005 tranche have subsequently lapsed.

Note: Mr Mackay and Mr Wyman were awarded 230,000 and 140,000 conditional awards of performance shares respectively on 16 May 2008.

**Table B Awards Vested at 31 March 2007 with additional vesting (either during the year or pending)**

Director	No. of shares vested under base award as at 31 March 2007	Maximum additional shares awarded arising from vesting of the base award	Expected value £	Performance period 5 years from	Awards vested during the year	Awards lapsed during the year	No. of additional shares under conditional awards as at 31 March 2008
EAG Mackay	100,789	50,395	143,750	31/05/2002	50,395**	–	–
	240,000	120,000	543,780	09/07/2002	120,000***	–	–
	163,860	81,930	176,150	23/05/2003	–	–	81,930
	69,595	34,798	115,876	21/05/2004	69,595*	41,757*	34,798
							<b>116,728</b>
MI Wyman	46,670	23,335	66,563	31/05/2002	23,335**	–	–
	160,000	80,000	362,520	09/07/2002	80,000***	–	–
	76,669	38,335	82,419	23/05/2003	–	–	38,335
	31,936	15,968	53,174	21/05/2004	31,936*	19,162*	15,968
							<b>54,303</b>

\* The indicated conditional awards of free shares were tested against the performance condition described in this report over the three years ended 21 May 2007 and achieved 62.5% of maximum. The remainder of the award did not vest and has lapsed. Of these vested shares 28,534 and 13,094 shares were sold to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. These are now beneficially held as represented in the beneficial schedule on page 55, but retained in this table as they may rank for the 50% additional award after two years from 21 May 2007. The price on the vesting date being, 21 May 2007, was £11.80 per share.

\*\* These awards represent the automatic additional 50% vesting arising from the original 31 May 2002 award, the shares having been held in Trust for an additional two years after the original vesting date. Of these additional vested shares 20,662 and 9,568 shares were sold to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. The price on vesting date, being 31 May 2007, was £11.97 per share.

\*\*\* These awards represent the automatic additional 50% vesting arising from the original 9 July 2002 award, the shares having been held in Trust for an additional two years after the original vesting date. Of these additional vested shares 49,200 and 32,800 shares were sold to cover income tax liabilities owing by Mr Mackay and Mr Wyman respectively. The price on vesting date, being 9 July 2007, was £12.73 per share.

### SABMiller plc Executive Share Purchase Scheme

Prior to adoption of new share schemes on listing in March 1999, each of the executive directors participated in the old SAB Executive Share Purchase Scheme.

Details of options granted and share purchases awarded prior to listing in respect of SAB Ltd shares under this scheme are set out below:

Director	No. of share options as at 31 March 2007	No. of share options granted during the year	No. of share options implemented/ exercised during the year	Sale price/market price (R)	Subscription price (R)	Exercisable 5-10 years from	No. of share options as at 31 March 2008
MI Wyman	40,000	–	30,000	164.00	32.84	14/09/1998	–
		–	10,000	171.00	32.84	14/09/1998	–
	60,000	–	10,000	171.00	46.40	11/11/1998	<b>50,000</b>

Note: Implemented 30,000 deferred rights and options, arising from the 14 September 1998 tranche, on 5 March 2008 at R164.00 per share. Implemented the remaining 10,000 deferred rights and options on 25 March 2008. A further 10,000 deferred rights and options were implemented on the same day arising from the 11 November 1998 tranche. The price obtained was R171.00 per share.

The executive directors are not eligible to receive further awards under this scheme. The characteristics for this scheme are such that gains on exercise of options were recognised in prior years in respect of all the share rights reflected in the table.

From 3 June 2000, the SAB Executive Share Purchase Scheme was closed for purposes of new awards, and replaced by the Mirror Scheme for the purposes of new awards to employees of South African employers in the group and certain categories of other employees of South African origin elsewhere in the group (other than SABMiller plc directors), principally in Africa. These are issued annually to employees on the basis of assessment of performance and potential. The unconditional vesting period was reduced from a five-year period to a three-year period for the May 2006 and future grants, in line with local market practice.

#### Approval

This report was approved by the board on 14 May 2008 as recommended by the remuneration committee on 13 May 2008.

By order of the board

**Miles Morland**

Director

Chairman of the Remuneration Committee

2 June 2008

# Statement of directors' responsibilities

on 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. Under that law 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 consolidated 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.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper 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 1985 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.

In addition, the Companies Act 1985 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. The directors, having made appropriate enquiries, confirm 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 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 and the company are 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 group financial statements of SABMiller plc for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised income and expense and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of SABMiller plc for the year ended 31 March 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review and the Ordinary Shareholding Analyses that is cross referred from the principal activities and business review and the substantial shareholdings sections of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, as described in the contents, and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the group financial statements.

## PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London  
2 June 2008

# Consolidated income statement

for the year ended 31 March

	Notes	2008 US\$m	2007 US\$m
<b>Revenue</b>	2	<b>21,410</b>	18,620
Net operating expenses	3	<b>(17,962)</b>	(15,593)
<b>Operating profit</b>		<b>3,448</b>	3,027
Operating profit before exceptional items	2	<b>3,560</b>	3,120
Exceptional items	4	<b>(112)</b>	(93)
<b>Net finance costs</b>	5	<b>(456)</b>	(428)
Interest payable and similar charges	5a	<b>(721)</b>	(668)
Interest receivable and similar income	5b	<b>265</b>	240
Share of post-tax results of associates	13	<b>272</b>	205
<b>Profit before taxation</b>		<b>3,264</b>	2,804
Taxation	7	<b>(976)</b>	(921)
<b>Profit for the financial period</b>	26a	<b>2,288</b>	1,883
Profit attributable to minority interests		<b>265</b>	234
Profit attributable to equity shareholders		<b>2,023</b>	1,649
		<b>2,288</b>	1,883
<b>Basic earnings per share</b> (US cents)	8	<b>134.9</b>	110.2
<b>Diluted earnings per share</b> (US cents)	8	<b>134.2</b>	109.5

All operations are continuing.

The notes on pages 66 to 133 form part of the financial statements.



# Consolidated balance sheet

at 31 March

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	Notes	2008 US\$m	2007 US\$m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	10	15,600	13,250
Intangible assets	11	4,383	3,901
Property, plant and equipment	12	9,037	6,750
Investments in associates	13	1,826	1,351
Available for sale investments	14	52	52
Derivative financial instruments	23	208	34
Trade and other receivables	16	240	181
Deferred tax assets	20	340	164
		<b>31,686</b>	25,683
<b>Current assets</b>			
Inventories	15	1,350	928
Trade and other receivables	16	1,871	1,471
Current tax assets		188	103
Derivative financial instruments	23	45	6
Cash and cash equivalents	17	673	481
		<b>4,127</b>	2,989
Assets in disposal groups held for sale	18	–	64
		<b>4,127</b>	3,053
<b>Total assets</b>		<b>35,813</b>	28,736
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative financial instruments	23	(34)	(5)
Borrowings	21	(2,062)	(1,711)
Trade and other payables	19	(3,273)	(2,746)
Current tax liabilities		(534)	(429)
Provisions	24	(300)	(266)
		<b>(6,203)</b>	(5,157)
Liabilities directly associated with disposal groups held for sale	18	–	(19)
		<b>(6,203)</b>	(5,176)
<b>Non-current liabilities</b>			
Derivative financial instruments	23	(497)	(204)
Borrowings	21	(7,596)	(5,520)
Trade and other payables	19	(338)	(269)
Deferred tax liabilities	20	(1,775)	(1,393)
Provisions	24	(1,160)	(1,173)
		<b>(11,366)</b>	(8,559)
<b>Total liabilities</b>		<b>(17,569)</b>	(13,735)
<b>Net assets</b>		<b>18,244</b>	15,001
<b>Equity</b>			
Share capital	25	158	158
Share premium	26a	6,176	6,137
Merger relief reserve	26a	3,395	3,395
Other reserves	26b	2,215	466
Retained earnings	26a	5,601	4,250
		<b>17,545</b>	14,406
<b>Total shareholders' equity</b>		<b>17,545</b>	14,406
Minority interests in equity	26a	699	595
<b>Total equity</b>		<b>18,244</b>	15,001

The balance sheet of SABMiller plc is shown on page 136.

The notes on pages 66 to 133 form part of the financial statements.

The financial statements were authorised for issue by the Board of directors on 2 June 2008 and were signed on its behalf by:

**Graham Mackay**  
Chief Executive Officer

**Malcolm Wyman**  
Chief Financial Officer

# Consolidated cash flow statement

for the year ended 31 March

	Notes	2008 US\$m	2007 US\$m
<b>Cash flows from operating activities</b>			
Cash generated from operations	27a	4,276	4,018
Interest received		228	231
Interest paid		(730)	(719)
Tax paid		(969)	(801)
<b>Net cash from operating activities</b>		<b>2,805</b>	<b>2,729</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,978)	(1,191)
Proceeds from sale of property, plant and equipment		110	110
Purchase of intangible assets		(59)	(270)
Purchase of investments		–	(3)
Proceeds from sale of investments		5	1
Proceeds from sale of associates		2	81
Proceeds on disposal of shares in subsidiaries		71	7
Acquisition of subsidiaries (net of cash acquired)		(1,284)	(131)
Purchase of shares from minorities		(49)	(200)
Purchase of shares in associates		(179)	(186)
Dividends received from associates		91	102
Dividends received from other investments		1	1
<b>Net cash used in investing activities</b>		<b>(3,269)</b>	<b>(1,679)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		39	38
Purchase of own shares for share trusts		(33)	(30)
Proceeds from borrowings	27b	6,492	5,126
Repayment of borrowings	27b	(5,038)	(5,663)
Capital element of finance lease payments		(7)	(7)
Decrease in loan participation deposit	27b	–	200
Net cash (payments)/receipts on net investment hedges		(16)	42
Dividends paid to shareholders of the parent		(769)	(681)
Dividends paid to minority interests		(197)	(161)
<b>Net cash generated/(used) in financing activities</b>		<b>471</b>	<b>(1,136)</b>
Net cash from operating, investing and financing activities		7	(86)
Effects of exchange rate changes		(113)	(18)
<b>Net decrease in cash and cash equivalents</b>	27b	<b>(106)</b>	<b>(104)</b>
Cash and cash equivalents at 1 April	27b	294	398
<b>Cash and cash equivalents at 31 March</b>	27b	<b>188</b>	<b>294</b>

The notes on pages 66 to 133 form part of the financial statements.

# Consolidated statement of recognised income and expense

for the year ended 31 March

	2008 US\$m	2007 US\$m
Currency translation differences on foreign currency net investments	2,029	362
Actuarial gains/(losses) on defined benefit plans	31	(5)
Fair value moves on available for sale investments	2	7
Tax on items taken directly to equity	(8)	2
Net investment and cash flow hedges	(225)	(2)
<b>Net gains recognised directly in equity</b>	<b>1,829</b>	<b>364</b>
Profit for the year	2,288	1,883
<b>Total recognised income for the year</b>	<b>4,117</b>	<b>2,247</b>
– attributable to equity shareholders	3,795	2,010
– attributable to minority interests	322	237

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## 1. Accounting policies

The significant 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 periods 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 for use in the European Union, IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention, except for share-based payments, pensions and post-retirement benefits and the revaluation to fair value of certain financial instruments 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 generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the group's accounting policies. Actual results could differ from those estimates.

### b) Recent accounting developments

(i) Standards and interpretations of published standards effective during the year ended 31 March 2008.

- IFRIC 8, 'Scope of IFRS 2', (effective from 1 May 2006) provides guidance on the scope of IFRS 2.
- IFRIC 9, 'Re-assessment of embedded derivatives', (effective from 1 June 2006) provides guidance as to the circumstances an embedded derivative can be reassessed.
- IFRIC 10, 'Interim financial reporting and impairment' (effective from 1 November 2006) prohibits the reversal of impairment losses recognised in an interim period in the annual period.
- IFRIC 11, 'IFRS 2—Group and treasury share transactions' (effective from 1 March 2007) provides guidance on share-based payment arrangements with a Group of companies.
- IFRS 7, 'Financial Instruments: Disclosures' and the amendment to IAS 1, "Presentation of Financial Statements – Capital Disclosures", (effective from 1 January 2007), introduce new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, 'Financial Instruments: Disclosure and Presentation'. This standard does not have any impact on the classification and valuation of the group's financial instruments.

The adoption of these interpretations and IFRS 7 has not had a material effect on the consolidated results of operations or financial position of the group.

(ii) Standards and amendments to published standards that are not yet effective and have not been early adopted by the group.

The following standards and amendments have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2008 or later periods but that the group has not early adopted:

- Amendment to IFRS 2, 'Share-based Payment' (effective from 1 January 2009), clarifies the definition of vesting conditions and provides guidance on the accounting treatment of cancellations by other parties. The group does not plan to apply this Amendment early, and its adoption is not expected to have a material impact on the group's results.
- IFRS 8, 'Operating Segments', (effective from 1 January 2009), requires the amount reported for each operating segment item to be the measure reported to management for the purposes of allocating resources to the segment and assessing its performance. The group does not plan to apply IFRS 8 early, and its adoption is not expected to have a material impact on the group's current segmental reporting.
- IAS 1 (revised), 'Presentation of financial statements', (effective from 1 January 2009), prohibits the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).
- IAS 23 (revised), 'Borrowing costs' (effective from 1 January 2009), is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (revised) from 1 April 2009, subject to endorsement by the EU. The group does not plan to apply IAS 23 (revised) early, and its adoption is not expected to have a material impact on the group's results.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009), is still subject to endorsement by the European Union. Among other changes it requires that the difference between the consideration paid or received and the recorded non-controlling interest is recognised in equity in respect of transactions with non-controlling interests in group entities which do not result in a change of control. In the case of the disposal of a subsidiary, any retained interest will be re-measured to fair value and the difference between fair value and the previous carrying value will be recognised immediately in the income statement. The group does not plan to apply IAS 27 (revised) early.
- IFRS 3 (revised), 'Business combinations', (effective from 1 July 2009), is still subject to endorsement by the European Union. Among other changes it requires transaction costs to be recognised immediately in the income statement, fair value gains or losses on existing investments in an acquired company to be recognised in the income statement on the date of acquisition and adjustments to deferred tax outside of the hindsight period are recorded under IAS 12, as opposed to affecting goodwill. In addition it requires the recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill.

## 1. Accounting policies continued

### 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:

- (i) Impairment reviews in respect of goodwill and indefinite lived intangible assets are performed at least annually. More regular reviews are performed if events indicate that this is necessary. Details of the estimates used are set out in note 10.
- (ii) The determination of the carrying amount of property, plant and equipment and related depreciation; capitalisation of costs, estimation of useful economic life and recoverability of such assets. The estimates in relation to these items are set out in part (i) to this note.
- (iii) The group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the provision for taxes as the tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authority.
- (iv) Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. Details of the assumptions used are set out in note 30.
- (v) The determination of the carrying amount and estimated useful lives of intangible assets acquired in a business combination.

### d) Segmental reporting

A reportable segment is a distinguishable business or geographical component of the group that provides products or services that are different from those of other segments. Segments results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group's primary segmental analyses are in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles. The group presents its geographic analysis as its primary segmentation.

The group presents its product analysis as its secondary segmentation. This will be analysed between secondary segments of Beer, Soft drinks and Other.

### 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 and associated 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 minority interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

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.

### 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 South African rand (ZAR) and Colombian peso (COP) exchange rates to US dollar used in preparing the consolidated financial statements were as follows:

	Weighted average rate		Closing rate	
	ZAR	COP	ZAR	COP
Year ended 31 March 2007	7.06	2,340	7.29	2,190
Year ended 31 March 2008	7.13	1,997	8.15	1,822

The weighted average exchange rates have been calculated based on the average of the exchange rates during the relevant year and weighted according to the 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 equity.

#### (iii) Overseas subsidiaries and associates

One-off items in the income and cash flow statements of overseas subsidiaries and associates 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

## 1. Accounting policies continued

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 and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in equity are recycled through 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 purchase method is used to account for the acquisition of subsidiaries. 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.

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 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 cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition plus costs directly attributable to the acquisition. It also includes the group's estimate of any deferred consideration payable. Where the business combination agreement provides for an adjustment to the cost that is contingent on future events, contingent consideration is included in the cost of an acquisition if the adjustment is probable (that is, more likely than not) and can be measured reliably. The difference between the costs of acquisition and the share of the net assets acquired is capitalised as goodwill.

Where the group purchases additional shares in subsidiaries such purchases are reflected as separate acquisition processes and no revised fair valuation is required. The difference between the costs of acquisition and the share of the net assets acquired is capitalised as goodwill.

On the subsequent disposal or termination of a previously acquired 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 or crediting the amount of any related goodwill to the extent that it has not previously been taken to the income statement.

#### (ii) Associates

The group's share of the recognised income and expenses of associates are accounted for using the equity method from the date significant influence commences to the date it ceases based on present ownership interests. The date significant influence commences is not necessarily the same as the closing date or any other date named in the contract.

The group recognises its share of associates' results as a one line entry before tax in the income statement, after taking account of the share of interest, tax and minority interests.

When the group's interest in an associate has been reduced to nil because the group's share of losses exceeds its interest in the associate, 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. Where the disposal of an investment in an associate is considered highly probable (that is, significantly more likely than probable), the investment ceases to be equity accounted and, instead, is classified as held for sale and stated at the lower of carrying amount and fair value less costs to dispose.

#### (iii) Goodwill

Goodwill arising on consolidation represents the excess of the costs of acquisition over the group's interest in the fair value 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 is included in the carrying value of the investment in the associate.

Where a business combination occurs in several stages, the goodwill associated with each stage is calculated using fair value information at the date of each additional share purchase.

### 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. Amortisation is included within net operating expenses in the income statement. Internally generated intangibles are not recognised except for applied development costs referred to under research and development below.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

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 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.

## 1. Accounting policies continued

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable, it is probable that economic benefits will flow to the group and the fair value can be measured reliably.

### (i) Trademarks recognised as part of a business combination

Trademarks are recognised as an intangible asset where the trademark has a long term value. Acquired trademarks are only recognised where title is clear or the trademark 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 cost of such trademarks on a relief from royalty basis.

Where the acquired trademark is seen as having a finite useful economic life, it is subject to amortisation, which in respect of trademarks currently held is 10-40 years, being the period for which the group has exclusive rights to those trademarks. Where the acquired trademark is seen as having an indefinite useful economic life, the carrying value is subject to an annual impairment review.

### (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. Contractual arrangements and relationships with customers and distributors are also valued on a similar basis.

Where the acquired licence or contract is seen as having a finite useful economic life, it is subject to amortisation, which is the period for which the group has exclusive rights to these assets or income streams.

### (iii) Customer lists and 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.

Where the acquired asset is seen as having a finite useful economic life ranging from 10 to 15 years, it is subject to amortisation over 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) and an appropriate portion of overheads. Capitalised computer software, licence and development costs are amortised over their useful economic lives of between 3 and 8 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), future costs exceed expected revenue and the group has the resources to complete the task. Such assets are amortised on a straight line basis over their useful lives.

### 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.

### (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 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) Containers

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 1-3 years.
- Provisions are made against the deposit values for breakages and loss in trade together with a design obsolescence provision held to write off the deposit value over the expected bottle design period – which is a period of no more than 10 years from the inception of a bottle design. This period is shortened where appropriate by reference to market dynamics and the ability of the entity to use bottles for different brands.

## 1. Accounting policies continued

### (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 or valuation, 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)	1-10 years
Assets held under finance leases	Lower of the lease term of 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

Direct 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 are amortised in the income statement over the relevant period to which the customer commitment is made (typically 3-5 years). These prepayments are recorded net of any impairment losses.

Where there is a volume target the amortised cost of the advance is included in sales discounts as a reduction to revenue and where there are specific marketing activities/commitments the cost 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 plant, property 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.

### l) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transactions costs where applicable). 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, the relevant financial assets and liabilities are offset.

Interest costs are charged against income 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.

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 includes 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.



## 1. Accounting policies continued

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 in 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, 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

Cash and cash equivalents include cash in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less.

### (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 the income statement, 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 re-measured 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 equity. On disposal or impairment of available for sale investments, any gains or losses in equity are recycled through 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, 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 transactions 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.

#### 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. The value in use of the asset is determined by discounting, at a market based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in the income statement in the period in which it is incurred.

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 cash generating unit (CGU) to which the assets belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets and liabilities 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.

When an impairment is recognised, the impairment loss is held firstly against any specifically impaired assets of the CGU, then 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.

Intangible non-current assets with an indefinite life and goodwill are 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.

## 1. Accounting policies continued

### n) Non-current assets (or disposal groups) held for sale

Non-current assets and all assets and liabilities classified as held for resale 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 interest 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. The non-voting convertible shares are also 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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the share premium account.

### q) Investments in own shares and those shares held by employee benefit trusts

Shares held by employee share ownership plans and employee benefit trusts are treated as a deduction from equity until the shares are cancelled, reissued, or disposed of. The SABMiller plc shares held by Safari Ltd, a special purpose vehicle, are classified similarly.

Purchases of such shares are classified in the cash flow statement as a purchase of own shares for share trusts 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 at 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.

#### (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 revenue 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, interest and tax. (Associates, interest and tax exceptional items are only referred to in the notes to the consolidated financial statements).

Exceptional items are also summarised by class in the segmental analyses, excluding those that relate to interest and tax.

Where certain income statement items incurred are of a capital nature or are considered material and non-recurring, the group proposes to continue to present alternative earnings per share calculations both on a headline (under the CFA Society of the UK definition) and on an adjusted basis.

### 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 directly in equity, in which case it is recognised in equity.

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.

## 1. Accounting policies continued

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 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 and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. 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 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 approved by the board. 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.

#### (iv) Share-based compensation

The group operates a variety of equity-settled, share-based compensation plans. These comprise share option plans (with and without non-market performance conditions attached) and a performance share award scheme (with market conditions attached). 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. This expense is offset by a corresponding adjustment 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 as at the date of grant, as calculated by various binomial model calculations and Monte Carlo simulations.

The charge is not reversed if the options 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 income statement and are presented in the statement of recognised income and expense, 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. 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

## 1. Accounting policies continued

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 presented in the statement of recognised income and expense. 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 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 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 re-performed 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 of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions or commitment (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.

#### (ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency 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 income statement. Amounts accumulated in equity are recycled 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 equity. 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 recycled 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. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur.

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

Bottles and 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 and bottles 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 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 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

### Primary reporting format – geographical segments

#### Income statement

	Segment revenue 2008 US\$m	Segment result 2008 US\$m	Share of post-tax results of associates 2008 US\$m	Total 2008 US\$m	Segment revenue 2007 US\$m	Segment result 2007 US\$m	Share of post-tax results of associates 2007 US\$m	Total 2007 US\$m
Latin America	5,239	892	–	892	4,373	746	–	746
Europe	5,242	947	1	948	4,078	706	–	706
North America	5,120	411	–	411	4,887	366	–	366
Africa and Asia	1,853	330	150	480	1,455	272	121	393
South Africa	3,956	962	121	1,083	3,827	1,043	84	1,127
Corporate	–	(94)	–	(94)	–	(106)	–	(106)
<b>Group</b>	<b>21,410</b>	<b>3,448</b>	<b>272</b>	<b>3,720</b>	<b>18,620</b>	<b>3,027</b>	<b>205</b>	<b>3,232</b>
Net finance costs				(456)				(428)
<b>Profit before tax</b>				<b>3,264</b>				<b>2,804</b>
Taxation				(976)				(921)
<b>Profit for the year</b>				<b>2,288</b>				<b>1,883</b>

#### Voluntary Income Statement disclosures for the primary reporting format

Alternative performance measures have been provided below on a segmental basis since the directors believe that they give a useful additional indication of underlying performance.

#### Group revenue (including associates)

	Segment revenue 2008 US\$m	Share of associates revenue 2008 US\$m	Group revenue (including associates) 2008 US\$m	Segment revenue 2007 US\$m	Share of associates revenue 2007 US\$m	Group revenue (including associates) 2007 US\$m
Latin America	5,239	12	5,251	4,373	19	4,392
Europe	5,242	6	5,248	4,078	–	4,078
North America	5,120	–	5,120	4,887	–	4,887
Africa and Asia	1,853	1,514	3,367	1,455	1,219	2,674
South Africa						
– Beverages	3,956	490	4,446	3,827	447	4,274
– Hotels and Gaming	–	396	396	–	340	340
– South Africa total	3,956	886	4,842	3,827	787	4,614
<b>Group</b>	<b>21,410</b>	<b>2,418</b>	<b>23,828</b>	<b>18,620</b>	<b>2,025</b>	<b>20,645</b>

There is no material difference between the source and destination of revenue. Revenue between segments is immaterial.

#### Operating profit

	Operating profit 2008 US\$m	Exceptional items 2008 US\$m	Operating profit before exceptional items 2008 US\$m	Operating profit 2007 US\$m	Exceptional items 2007 US\$m	Operating profit before exceptional items 2007 US\$m
Latin America	892	61	953	746	64	810
Europe	947	–	947	706	24	730
North America	411	51	462	366	–	366
Africa and Asia	330	–	330	272	–	272
South Africa: Beverages	962	–	962	1,043	–	1,043
Corporate	(94)	–	(94)	(106)	5	(101)
<b>Group</b>	<b>3,448</b>	<b>112</b>	<b>3,560</b>	<b>3,027</b>	<b>93</b>	<b>3,120</b>

# Notes to the consolidated financial statements

continued

## 2. Segmental analysis continued

### EBITA

This comprises operating profit before exceptional items, amortisation of intangible assets (excluding software) and includes the group's share of associates' operating profit on a similar basis.

	Operating profit before exceptional items 2008 US\$m	Share of associates' operating profit before exceptional items 2008 US\$m	Amortisation of intangible assets (excluding software) 2008 US\$m	EBITA 2008 US\$m	Operating profit before exceptional items 2007 US\$m	Share of associates' operating profit before exceptional items 2007 US\$m	Amortisation of intangible assets (excluding software) 2007 US\$m	EBITA 2007 US\$m
Latin America	953	–	118	1,071	810	–	105	915
Europe	947	1	4	952	730	–	3	733
North America	462	–	15	477	366	–	9	375
Africa and Asia	330	231	7	568	272	193	2	467
South Africa:								
– Beverages	962	64	–	1,026	1,043	59	–	1,102
– Hotels and Gaming	–	139	2	141	–	100	–	100
– South Africa total	962	203	2	1,167	1,043	159	–	1,202
Corporate	(94)	–	–	(94)	(101)	–	–	(101)
<b>Group</b>	<b>3,560</b>	<b>435</b>	<b>146</b>	<b>4,141</b>	<b>3,120</b>	<b>352</b>	<b>119</b>	<b>3,591</b>

The group's share of associates' operating profit is reconciled to the share of post-tax results of associates in the income statement as follows:

	2008 US\$m	2007 US\$m
Share of associates' operating profit (before exceptional items)	435	352
Share of associates' finance costs	(11)	(9)
Share of associates' taxation	(120)	(102)
Share of associates' minority interests	(32)	(36)
Share of post-tax results of associates	272	205

### EBITDA (a reconciliation of group EBITDA after cash exceptional items to cash generated from operations can be found in note 27a).

This comprises the net cash generated from operations before working capital movements and after operating cash exceptional items.

	EBITDA before cash exceptional items 2008 US\$m	Cash exceptional items 2008 US\$m	EBITDA 2008 US\$m	EBITDA before cash exceptional items 2007 US\$m	Cash exceptional items 2007 US\$m	EBITDA 2007 US\$m
Latin America	1,319	(17)	1,302	1,147	(25)	1,122
Europe	1,203	–	1,203	936	(7)	929
North America	569	(2)	567	510	–	510
Africa and Asia	404	–	404	340	–	340
South Africa: Beverages	1,073	–	1,073	1,200	–	1,200
Corporate	(31)	–	(31)	(65)	(5)	(70)
<b>Group</b>	<b>4,537</b>	<b>(19)</b>	<b>4,518</b>	<b>4,068</b>	<b>(37)</b>	<b>4,031</b>

## 2. Segmental analysis continued

### Balance sheet

#### – Total assets

	Segment assets 2008 US\$m	Investment in associates 2008 US\$m	Unallocated assets* 2008 US\$m	Total assets 2008 US\$m	Segment assets 2007 US\$m	Investment in associates 2007 US\$m	Unallocated assets* 2007 US\$m	Total assets 2007 US\$m
Latin America	15,314	2	–	15,316	12,575	5	–	12,580
Europe	7,419	12	–	7,431	4,232	–	–	4,232
North America	6,041	–	–	6,041	6,072	–	–	6,072
Africa and Asia	1,906	1,475	–	3,381	1,562	1,045	–	2,607
South Africa	2,186	337	–	2,523	2,074	301	–	2,375
Corporate	470	–	–	470	575	–	–	575
Unallocated assets	–	–	651	651	–	–	295	295
<b>Group</b>	<b>33,336</b>	<b>1,826</b>	<b>651</b>	<b>35,813</b>	<b>27,090</b>	<b>1,351</b>	<b>295</b>	<b>28,736</b>

\* Unallocated assets include borrowing related derivative financial instrument assets, current tax and deferred tax assets.

#### – Total liabilities

	Segment liabilities 2008 US\$m	Unallocated liabilities* 2008 US\$m	Total liabilities 2008 US\$m	Segment liabilities 2007 US\$m	Unallocated liabilities* 2007 US\$m	Total liabilities 2007* US\$m
Latin America	1,400	–	1,400	1,226	–	1,226
Europe	1,238	–	1,238	874	–	874
North America	1,341	–	1,341	1,272	–	1,272
Africa and Asia	323	–	323	329	–	329
South Africa	569	–	569	592	–	592
Corporate	533	–	533	234	–	234
Unallocated liabilities	–	12,165	12,165	–	9,208	9,208
<b>Group</b>	<b>5,404</b>	<b>12,165</b>	<b>17,569</b>	<b>4,527</b>	<b>9,208</b>	<b>13,735</b>

\* Unallocated liabilities include borrowings (including related derivative financial instruments), current tax and deferred tax liabilities.

#### Other segmental information

	Depreciation and amortisation		Other non-cash items		Impairment losses recognised	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Latin America	396	366	2	8	3	3
Europe	256	189	3	13	7	21
North America	151	145	8	(3)	1	3
Africa and Asia	77	59	13	5	9	2
South Africa	145	134	(18)	21	–	1
Corporate	13	6	19	30	2	1
<b>Group</b>	<b>1,038</b>	<b>899</b>	<b>27</b>	<b>74</b>	<b>22</b>	<b>31</b>

	Capital expenditure excluding acquisitions		Acquisition activity		Total capital expenditure*	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Latin America	730	372	–	–	730	372
Europe	565	374	534	7	1,099	381
North America**	166	155	–	215	166	370
Africa and Asia	295	144	–	48	295	192
South Africa	279	230	–	–	279	230
Corporate	26	12	–	–	26	12
<b>Group</b>	<b>2,061</b>	<b>1,287</b>	<b>534</b>	<b>270</b>	<b>2,595</b>	<b>1,557</b>

\* Capital expenditure includes acquisitions and additions of intangible assets and property, plant and equipment.

\*\* Sparks and Steel Reserve brands have been reflected within acquisition activity in 2007 for segmental reporting purposes.

# Notes to the consolidated financial statements

continued

## 2. Segmental analysis continued

### Secondary reporting format – Business segments

	Revenue		Total assets		Capital expenditure*	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
Beer	18,681	15,744	29,150	22,563	2,323	1,323
Soft drinks	2,239	1,818	3,134	1,797	183	136
Other	490	1,058	1,052	2,730	89	98
Sub-total	21,410	18,620	33,336	27,090	2,595	1,557
Investment in associates			1,826	1,351		
Unallocated assets			651	295		
Group	21,410	18,620	35,813	28,736	2,595	1,557

\* Capital expenditure includes acquisitions and additions of intangible assets and property, plant and equipment.

There is no material difference between the source and destination of revenue. Revenue between segments is immaterial.

## 3. Net operating expenses

	2008 US\$m	2007 US\$m
Cost of inventories recognised as an expense	5,869	4,957
– Changes in inventories of finished goods and work in progress	208	27
– Raw materials and consumables used	5,661	4,930
Excise duties*	4,353	3,758
Employee benefits costs (see note 6a)	2,344	1,955
Depreciation of property, plant and equipment	848	737
– Owned assets	629	547
– Under finance lease	4	3
– Containers	215	187
Net profit on disposal of available for sale investments	(1)	–
Net profit on disposal of subsidiaries	(17)	–
Net profit on disposal of associates	(1)	–
Net profit on disposal of property, plant and equipment	(10)	(20)
Amortisation of intangible assets	190	162
– Intangible assets excluding software	141	119
– Software	49	43
Other expenses	4,657	4,237
– Selling, marketing and distribution costs	2,743	2,262
– Repairs and maintenance expenditure on property, plant and equipment	351	353
– Impairment of property, plant and equipment	5	13
– Adjustment to goodwill	–	31
– Impairment of trade receivables	17	18
– Operating lease rentals – land and buildings	61	33
– Operating lease rentals – plant, vehicle and systems	78	43
– Restructuring and integration costs**	–	44
– Research and development expenditure	9	6
– Other operating expenses	1,393	1,434
Total net operating expenses by nature	18,232	15,786
Other income	(270)	(193)
– Revenue received from royalties	(32)	(31)
– Dividends received from investments	(1)	(1)
– Other operating income	(237)	(161)
<b>Net operating expenses</b>	<b>17,962</b>	<b>15,593</b>

\* Excise duties have been incurred as follows: Latin America US\$1,334 million (2007: US\$1,092 million); Europe US\$995 million (2007: US\$784 million); North America US\$861 million (2007: US\$856 million); Africa and Asia US\$420 million (2007: US\$321 million) and South Africa US\$743 million (2007: US\$705 million).

\*\* This excludes integration costs relating to accelerated container amortisation.

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\$7 million (2007: loss of US\$32 million).



### 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:

	2008 US\$m	2007 US\$m
<b>Group auditors</b>		
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
Other services relating to taxation	4	6
Services relating to corporate finance transactions	3	–
Other services*	6	4
Fees payable to the group's auditor for the auditing of the company's annual accounts	2	1
	<b>23</b>	<b>20</b>

\* Principally relating to assurance on internal financial control upgrades.

	2008 US\$m	2007 US\$m
<b>Other auditors</b>		
Fees payable to other auditors for other services:		
Auditing of subsidiaries, pursuant to legislation	1	1
Other services relating to taxation	3	4
Internal audit services	3	1
Litigation	–	1
Other services	3	6
	<b>10</b>	<b>13</b>

### 4. Exceptional items

	2008 US\$m	2007 US\$m
<b>Subsidiaries' exceptional items included in operating profit:</b>		
<b>Latin America</b>	(61)	(64)
Bavaria integration and restructuring costs	(78)	(64)
Profit on sale of subsidiaries	17	–
<b>Europe</b>	–	(24)
Integration and restructuring costs	–	(7)
Profit on sale of land in Italy	–	14
Adjustment to goodwill	–	(31)
<b>North America</b>		
Integration and restructuring costs	(51)	–
<b>Corporate</b>		
Bavaria integration costs	–	(5)
<b>Exceptional items included within operating profit</b>	<b>(112)</b>	<b>(93)</b>
Taxation credit	40	30

#### 4. Exceptional items continued

##### 2008

###### Latin America

Restructuring costs associated with the consolidation of Bavaria S.A. of US\$78 million were incurred during the year.

A net US\$17 million profit on disposal has been recognised in Latin America on the disposal of soft drinks businesses in Costa Rica and Colombia during the year.

###### North America

In preparation for the proposed joint venture, which remains subject to regulatory clearance, a charge of US\$51 million has been recorded by Miller for staff retention arrangements and for certain integration costs.

##### 2007

###### Latin America and Corporate

Integration and restructuring costs associated with the consolidation of Bavaria S.A. of US\$69 million were incurred during the year.

###### Europe

Integration and restructuring costs of US\$7 million associated with the consolidation of Pivovar Topvar a.s. and the relocation of the Europe hub office to Zug were incurred during 2007.

In November 2006, the Naples brewery site was sold for US\$28 million giving rise to a profit of US\$14 million.

During the year the group recognised deferred tax assets that had previously not been recognised on the acquisition of Birra Peroni SpA. In accordance with IAS12, Income Taxes, when deferred tax assets on losses not previously recognised on acquisition are subsequently recognised, both goodwill and deferred tax assets are adjusted with corresponding entries to operating expense and taxation in the income statement. This deferred tax asset was substantially utilised during 2007.

#### 5. Net finance costs

	2008 US\$m	2007 US\$m
<b>a) Interest payable and similar charges</b>		
Interest payable on bank loans and overdrafts*	292	289
Interest payable on corporate bonds	401	327
Interest element of finance leases payments	1	1
Losses on early settlement of bonds	–	44
Net exchange (gains) on financing activities	(39)	(28)
Fair value losses on dividend related derivatives**	10	–
Fair value losses on standalone derivative financial instruments	23	–
Other finance charges	33	35
<b>Total interest payable and similar charges</b>	<b>721</b>	<b>668</b>
<b>b) Interest receivable and similar income</b>		
Interest receivable*	198	177
Fair value gains/(losses) on financial instruments:		
– Fair value gains on standalone derivative financial instruments	19	17
– Interest rate swaps: designated as fair value hedges	103	36
– Non-current borrowings designated as fair value hedges	(103)	(36)
– Ineffectiveness of fair value hedges	3	2
– Ineffectiveness of net investment hedges**	45	–
– Other fair value gains on borrowings	–	44
<b>Total interest receivable and similar income</b>	<b>265</b>	<b>240</b>
<b>Net finance costs</b>	<b>456</b>	<b>428</b>

\* Interest payable on bank loans and overdrafts and interest receivable include the interest element of derivatives.

\*\* These items relate to mark-to-market adjustments on capital items for which hedge accounting cannot be fully applied. These items have been excluded from the determination of adjusted earnings per share. Adjusted net finance costs are therefore US\$491 million (2007: US\$428 million).

Please refer to note 22 – Financial risk factors for interest rate risk information.

## 6. Employee and key management compensation costs

### a) Employee costs

	2008 US\$m	2007 US\$m
Wages and salaries	1,908	1,564
Share-based payments	79	52
Social security costs	199	165
Pension costs	120	120
Post-retirement benefits other than pensions	47	54
	<b>2,353</b>	<b>1,955</b>

Of the US\$2,353 million employee costs shown above, US\$9 million have been capitalised within property, plant and equipment (2007: US\$nil).

### b) Employee numbers

The average monthly number of employees are shown on a full-time equivalent basis, excludes employees of associated undertakings and includes executive directors:

	2008 Number	2007 Number
Latin America	25,389	26,394
Europe	12,921	12,017
North America	5,991	5,889
Africa and Asia	12,806	11,028
South Africa	11,749	11,400
Corporate	260	221
<b>Group</b>	<b>69,116</b>	<b>66,949</b>

### c) Key management compensation

The directors of the group and members of the executive committee (excom) are defined as key management. At 31 March 2008 there were 24 (2007: 24) members of key management.

	2008 US\$m	2007 US\$m
Salaries and short-term employee benefits	31	27
Post-employment benefits	3	3
Share-based payments	14	7
	<b>48</b>	<b>37</b>

The key management figures given above include the directors.

### d) Directors

	2008 US\$m	2007 US\$m
Aggregate emoluments (£5,147,805 (2007: £4,598,299))	10	9
Aggregate gains made on the exercise of share options or vesting of share awards	9	12
Company contributions to money purchase schemes (£490,500 (2007: £457,500))	1	1
	<b>20</b>	<b>22</b>

At 31 March 2008, two directors (2007: two) had retirement benefits accruing under money purchase pension schemes. Full details of individual directors' remuneration are given in the Remuneration Report on pages 49 to 59.

# Notes to the consolidated financial statements

continued

## 7. Taxation

	2008 US\$m	2007 US\$m
Current taxation	926	780
Charge for the year (UK corporation tax: nil charge (2007: nil charge))	935	833
Adjustments in respect of prior years	(9)	(53)
Withholding taxes and other remittance taxes	64	119
<b>Total current taxation</b>	<b>990</b>	<b>899</b>
Deferred taxation	(14)	22
Charge for the year (UK corporation tax: US\$9 million credit (2007: US\$9 million charge))	8	82
Adjustments in respect of prior years	(17)	5
Recognition of deferred tax asset in connection with the acquisition of Birra Peroni (see note 4)	-	(31)
Rate change	(5)	(34)
	<b>976</b>	<b>921</b>
Tax on items charged to equity:		
Deferred tax charge/(credit) on defined benefit pension and post-retirement medical schemes	10	(2)
Deferred tax charge on share options equity settled share incentive plans	-	9
Deferred tax credit on financial instruments	(2)	-
	<b>8</b>	<b>7</b>
Total current tax	990	899
Total deferred tax	(6)	29
<b>Total taxation</b>	<b>984</b>	<b>928</b>
Effective tax rate before amortisation of intangible assets (excluding software) and exceptional items (%)	32.5	34.5

The effective tax rate is calculated including share of associates' operating profit before exceptional items after adjusted net finance costs and share of associates' tax before exceptional items. This calculation is on a basis consistent with that used in prior years and is also consistent with other group operating metrics.

### Tax rate reconciliation

	2008 US\$m	2007 US\$m
Profit before taxation	3,264	2,804
Less: Share of post-tax results of associates	(272)	(205)
	<b>2,992</b>	<b>2,599</b>
Tax charge at standard UK rate of 30%	898	780
Exempt income	(39)	(13)
Other incentive allowances	(19)	(11)
Expenses not deductible for tax purposes	88	126
Deferred tax asset not recognised	34	12
Withholding taxes and other remittance taxes	64	119
Other taxes	33	13
Adjustments in respect of foreign tax rates	(85)	(50)
Adjustments in respect of prior periods	(26)	(48)
Deferred taxation rate change	(5)	(34)
Deferred taxation on unremitted earnings of overseas subsidiaries	33	27
<b>Total income tax expense</b>	<b>976</b>	<b>921</b>

## 8. Earnings per share

	2008 US cents	2007 US cents
Basic earnings per share	134.9	110.2
Diluted earnings per share	134.2	109.5
Headline earnings per share*	133.0	111.3
Adjusted basic earnings per share	143.1	120.0
Adjusted diluted earnings per share	142.4	119.3

The weighted average number of shares was:

	2008 Millions of shares	2007 Millions of shares
Ordinary shares	1,504	1,500
ESOP trust ordinary shares	(4)	(4)
<b>Basic shares</b>	<b>1,500</b>	<b>1,496</b>
Dilutive ordinary shares from share options	8	9
<b>Diluted shares</b>	<b>1,508</b>	<b>1,505</b>

The calculation of diluted earnings per share excludes 7,827,902 (2007: 6,039,681) share options that were antidilutive for the year because the exercise price of the option exceeds the fair value of the shares during the year, and 6,971,801 (2007: 7,707,155) share options that were anti-dilutive for the year because the performance conditions attached to the options have not been met. These options could potentially dilute earnings per share in the future.

9,023,270 share options and awards were granted after 31 March 2008 and before the date of signing of these financial statements.

### Adjusted and headline earnings

The group has also presented an adjusted earnings per share figure to exclude the impact of amortisation of intangible assets (excluding capitalised software) and other non-recurring items in order to present a more useful comparison for the years shown in the consolidated financial statements. Adjusted earnings per share has been based on adjusted headline 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 new South African Circular 8/2007 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:

	2008 US\$m	2007 US\$m
Profit for the financial year attributable to equity holders of the parent	2,023	1,649
Impairment of property, plant and equipment	5	13
Profit on sale of property, plant and equipment and investments	(29)	(20)
Adjustment to goodwill	-	31
Tax effects of the above items	(4)	(10)
Minority interests' share of the above items	-	2
<b>Headline earnings*</b>	<b>1,995</b>	<b>1,665</b>
Integration/reorganisation costs	129	76
Profit on fair value movements on capital items**	(35)	(10)
Amortisation of intangible assets (excluding capitalised software)	146	119
Tax effects of the above items	(88)	(54)
<b>Adjusted earnings</b>	<b>2,147</b>	<b>1,796</b>

\* 2007 re-presented to comply with the new Headline earnings definitions contained within the South African Circular 8/2007.

\*\* This does not include all fair value movements but includes those in relation to capital items for which hedge accounting cannot be applied.

# Notes to the consolidated financial statements

continued

## 9. Dividends

	2008 US\$m	2007 US\$m
Equity		
2007 Final dividend paid: 36.0 US cents (2006: 31.0 US cents) per ordinary share	537	472
2008 Interim dividend paid: 16.0 US cents (2007: 14.0 US cents) per ordinary share	232	209
	<b>769</b>	<b>681</b>

In addition, the directors are proposing a final dividend of 42.0 US cents per share in respect of the financial year ended 31 March 2008, which will absorb an estimated US\$632 million of shareholders' funds. If approved by shareholders, the dividend will be paid on 7 August 2008 to shareholders registered on the London and Johannesburg Registers on 11 July 2008. The total dividend per share for the year is 58.0 US cents (2007: 50.0 US cents).

Safari Ltd waived its rights to interim dividends of US\$12 million (2007: US\$11 million), and to the final dividend in respect of 2007 of US\$28 million (2006: US\$24 million). Dividends amounting to US\$32 million in respect of the proposed final dividend for 2008 have been waived by Safari Ltd and have been deducted in arriving at the estimated amount of shareholders' funds to be absorbed.

The employee benefit trust which holds shares for the various executive share incentive schemes has waived its rights to dividends.

Dividends are paid between group companies out of profits available for distribution subject to, amongst other things (in the case of companies incorporated in Great Britain), the provisions of the companies' Articles of Association and the Companies Act 1985 (as amended). There are restrictions over the distribution by a company incorporated in Great Britain of any profits which are not generated from external cash receipts as defined in Technical Release 1/08, issued by the Institute of Chartered Accountants in England and Wales. The final dividend of the company of US\$537 million paid on 7 August 2007, relating to the year ended 31 March 2007 and the interim dividend of US\$232 million paid on 21 December 2007, relating to the six months ended 30 September 2007, were paid out of profits available for distribution and the final dividend of the company of US\$632 million proposed to be paid on 7 August 2008, relating to the year ended 31 March 2008, will be paid out of profits available for distribution as at 31 March 2008.

## 10. Goodwill

	Total US\$m
<b>Cost and net book amount</b>	
<b>At 1 April 2006</b>	12,814
Exchange adjustments	278
Arising on increase in share of subsidiary undertakings	121
Arising on acquisition of subsidiary undertakings	78
Adjustment on recognition of deferred tax assets in connection with the acquisition of Birra Peroni	(31)
Transfer to disposal groups	(10)
<b>At 31 March 2007</b>	13,250
Exchange adjustments	1,406
Arising on increase in share of subsidiary undertakings (see note 28)	27
Arising on acquisition of subsidiary undertakings (provisional) (see note 28)	917
<b>At 31 March 2008</b>	<b>15,600</b>

### 2008

Additional goodwill arising on the acquisition of subsidiary undertakings has resulted from the acquisition of Royal Grolsch N.V. and Browar Belgia z.o.o., both of which occurred during the year. The purchase price allocation exercises in respect of these acquisitions are not yet complete.

### 2007

Additional goodwill arising on the consolidation of subsidiary undertakings was due to the acquisition of the Foster's business in India on 12 September 2006 and minority purchases in Latin America.

## 10. Goodwill continued

Goodwill allocated by cash generating unit (CGU) is as follows:

	2008 US\$m	2007 US\$m
<b>Subsidiaries:</b>		
Latin America:		
– Central America	830	829
– Colombia	4,729	3,926
– Peru	1,700	1,470
– Other Latin America	206	196
Europe:		
– Czech	1,109	856
– Netherlands	969	–
– Italy	509	431
– Other Europe	149	106
North America	4,254	4,254
Africa and Asia:		
– India	428	402
– Other Africa and Asia	135	129
South Africa	582	651
	<b>15,600</b>	<b>13,250</b>

### Assumptions

The recoverable amount for a CGU is determined based on value-in-use calculations. The basis for the value-in-use calculations are cash flow projections based on financial budgets approved by management covering five-year periods, after which a long-term growth rate is applied. The discount rate (weighted average cost of capital) is calculated using the Modigliani-Miller methodology, which reflects the group's debt cost after tax, returns from United States treasury bonds with maturity of 10 years, relevant individual country risk profiles and an SABMiller-specific beta.

The group applies local post-tax discount rates to local post-tax cash flows and this closely approximates to applying pre-tax discount rates to pre-tax cash flows. The following table presents the key assumptions used in the value-in-use calculations in each of the group's primary segments:

	Ranges of post-tax discount rates	Long-term growth rates
Latin America	8.9%-13.65%	2.0%-5.0%
Europe	7.0%-12.6%	1.5%-2.0%
North America	7.12%	1.5%
Africa and Asia	11.0%-20.4%	3.0%-4.0%
South Africa	10.7%	3.0%

## 11. Intangible assets

	Brands US\$m	Computer software US\$m	Other US\$m	Total US\$m
<b>Cost</b>				
<b>At 1 April 2006</b>	3,515	275	12	3,802
Exchange adjustments	165	2	–	167
Additions – separately acquired	215	54	1	270
Acquisitions – through business combinations	38	–	6	44
Transfers from other assets	–	6	–	6
Transfers to disposal groups	(14)	–	–	(14)
Write-offs	–	(1)	(1)	(2)
<b>At 31 March 2007</b>	3,919	336	18	4,273
Exchange adjustments	594	24	5	623
Additions – separately acquired	2	56	2	60
Acquisitions – through business combinations	8	–	11	19
Transfers from other assets	–	13	7	20
Write-offs	–	(12)	–	(12)
<b>At 31 March 2008</b>	<b>4,523</b>	<b>417</b>	<b>43</b>	<b>4,983</b>
<b>Aggregate amortisation and impairment</b>				
<b>At 1 April 2006</b>	56	149	1	206
Exchange adjustments	7	1	–	8
Amortisation	118	43	1	162
Transfers to disposal groups	(2)	–	–	(2)
Write-offs	–	(1)	(1)	(2)
<b>At 31 March 2007</b>	179	192	1	372
Exchange adjustments	36	12	2	50
Amortisation	138	49	3	190
Write-offs	–	(12)	–	(12)
<b>At 31 March 2008</b>	<b>353</b>	<b>241</b>	<b>6</b>	<b>600</b>
<b>Net book amount</b>				
At 1 April 2006	3,459	126	11	3,596
At 31 March 2007	3,740	144	17	3,901
<b>At 31 March 2008</b>	<b>4,170</b>	<b>176</b>	<b>37</b>	<b>4,383</b>

At 31 March 2008, significant individual brands included within the carrying value of intangible assets are the Aguila brand in Colombia (2008: US\$1,715 million, 2007: US\$1,475 million) and the Cristal brand in Peru (2008: US\$703 million, 2007: US\$624 million). Both of these brands have a remaining amortisation period of 37 years. The brands which arose on the Bavaria transaction in 2005 were valued on a relief from royalty basis using the same post-tax discount rates and long-term growth rates as those applied to the goodwill impairment review.



## 12. Property, plant and equipment

	Assets in course of construction US\$m	Land and buildings US\$m	Plant, vehicles and systems US\$m	Containers US\$m	Total US\$m
<b>Cost</b>					
<b>At 1 April 2006</b>	237	2,493	5,779	1,159	9,668
Exchange adjustments	7	81	81	(19)	150
Additions	709	26	244	253	1,232
Transfers (to)/from other assets	(8)	1	1	–	(6)
Arising on acquisition of subsidiary undertakings	–	2	8	1	11
Change in lease classification	–	–	(14)	–	(14)
Disposals	(1)	(80)	(213)	(82)	(376)
Breakages and shrinkage	–	–	–	(33)	(33)
Transfers	(540)	93	362	85	–
Transfers to disposal groups	–	(10)	(23)	(22)	(55)
Write-offs	(1)	–	(7)	(23)	(31)
<b>At 31 March 2007</b>	403	2,606	6,218	1,319	10,546
Exchange adjustments	74	380	739	115	1,308
Additions	1,130	50	385	435	2,000
Transfers (to)/from other assets	(36)	4	22	(10)	(20)
Arising on acquisition of subsidiary undertakings	21	241	226	27	515
Disposals	(1)	(69)	(167)	(142)	(379)
Breakages and shrinkage	–	–	–	(31)	(31)
Transfers	(667)	88	442	137	–
<b>At 31 March 2008</b>	<b>924</b>	<b>3,300</b>	<b>7,865</b>	<b>1,850</b>	<b>13,939</b>
<b>Accumulated depreciation</b>					
<b>At 1 April 2006</b>	–	348	2,399	584	3,331
Exchange adjustments	–	20	39	(7)	52
Provided during the period	–	58	492	187	737
Change in lease classification	–	–	(7)	–	(7)
Disposals	–	(15)	(192)	(75)	(282)
Breakages and shrinkage	–	–	–	(1)	(1)
Transfers to disposal groups	–	(1)	(11)	(17)	(29)
Write-offs	–	–	(7)	(11)	(18)
Impairments	–	–	13	–	13
<b>At 31 March 2007</b>	–	410	2,726	660	3,796
Exchange adjustments	–	80	346	112	538
Provided during the period	–	64	569	215	848
Disposals	–	(12)	(141)	(128)	(281)
Breakages and shrinkage	–	–	–	(4)	(4)
Impairments	–	–	5	–	5
<b>At 31 March 2008</b>	<b>–</b>	<b>542</b>	<b>3,505</b>	<b>855</b>	<b>4,902</b>
<b>Net book amount</b>					
At 1 April 2006	237	2,145	3,380	575	6,337
At 31 March 2007	403	2,196	3,492	659	6,750
<b>At 31 March 2008</b>	<b>924</b>	<b>2,758</b>	<b>4,360</b>	<b>995</b>	<b>9,037</b>

# Notes to the consolidated financial statements

continued

## 12. Property, plant and equipment continued

Included in land and buildings is freehold land with a cost of US\$684 million (2007: US\$654 million) which is not depreciated. Included in plant, vehicles and systems are the following amounts relating to assets held under finance leases:

	2008 US\$m	2007 US\$m
Net book amount	24	10

Included in plant, vehicles and systems are the following amounts in respect of interest capitalised:

	2008 US\$m	2007 US\$m
At beginning of year	18	18
Exchange adjustments	1	–
Capitalised during the year	7	–
At end of year	26	18

Borrowing costs of US\$7 million (2007: US\$nil) were capitalised during the year at an effective interest rate of 10.95% (2007: nil).

Borrowings are secured by various of the group's property, plant and equipment with an aggregate net book value of US\$70 million (2007: US\$101 million).

## 13. 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 33 to the accounts.

	Investments US\$m	Loans US\$m	Total US\$m
<b>At 1 April 2006</b>	1,133	–	1,133
Movements during the year:			
– Exchange adjustments	(8)	–	(8)
– Additions (including deferred consideration of US\$5 million)	191	–	191
– Disposals	(68)	–	(68)
– Share of results retained	205	–	205
– Dividends received	(102)	–	(102)
<b>At 31 March 2007</b>	1,351	–	1,351
Movements during the year:			
– Exchange adjustments	102	–	102
– Additions	179	–	179
– Acquired as part of business combination	11	2	13
– Increase in loans	–	1	1
– Disposals	(1)	–	(1)
– Share of results retained	272	–	272
– Dividends received	(91)	–	(91)
<b>At 31 March 2008</b>	<b>1,823</b>	<b>3</b>	<b>1,826</b>

### 2008

Additional investments totalling US\$179 million in China Resources Snow Breweries Ltd, Vietnam Dairy Products Joint Stock Company (Vinamilk) and Pacific Beverages Pty Ltd in Australia were made during the year. The associate Grolsch (UK) Ltd was acquired as part of the Grolsch transaction.

### 2007

Additional investments totalling US\$186 million in China Resources Snow Breweries Ltd, Vietnam Dairy Products Joint Stock Company (Vinamilk) and Pacific Beverages Pty Ltd in Australia were made during the year.

The group disposed of its interest in Reserva Conchal S.A. in Costa Rica during the year. No profit was recognised on the transaction.

### 13. Investments in associates continued

The analysis of associated undertakings between listed and unlisted investments is shown below:

	2008 US\$m	2007 US\$m
Listed	123	130
Unlisted	1,700	1,221
	1,823	1,351

The market value of listed investments included above is:

– Distell Group Ltd	367	419
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Summarised financial information for associates for total assets, total liabilities, revenue and profit or loss on a 100% basis is shown below:

	2008 US\$m	2007 US\$m
Total assets	7,922	6,571
Total liabilities	(2,538)	(1,704)
Revenue	7,414	6,194
Net profit	1,111	786

Delta Corporation Limited, a listed associated undertaking of the group which operates in Zimbabwe, is restricted from paying dividends or exporting capital due to foreign currency shortages. As such the market value of its listed shares has not been included above. 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.

### 14. Available for sale investments

	Investments US\$m
<b>At 1 April 2006</b>	43
Additions	3
Disposals	(1)
Net gains transferred to equity	7
<b>At 31 March 2007</b>	52
Exchange adjustments	1
Arising on acquisition of subsidiary undertakings	1
Disposals	(4)
Net gains transferred to equity	2
<b>At 31 March 2008</b>	52

There are no impairment provisions on available for sale assets in 2008 (2007: US\$nil).

Available for sale investments are denominated in the following currencies:

	2008 US\$m	2007 US\$m
SA Rand	12	12
US Dollars	13	13
Peruvian Sol	17	18
Other currencies	10	9
	52	52

The analysis of available for sale investments between listed and unlisted investments is shown below:

	2008 US\$m	2007 US\$m
Listed	18	18
Unlisted	34	34
	52	52

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. The fair values 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 debt securities classified as available for sale.

# Notes to the consolidated financial statements

continued

## 15. Inventories

	2008 US\$m	2007 US\$m
Raw materials and consumables	712	498
Work in progress	181	104
Finished goods and goods for resale	457	326
	<b>1,350</b>	<b>928</b>

The following amount of inventories are expected to be settled after 12 months:

	2008 US\$m	2007 US\$m
Raw materials and consumables	31	23
Finished goods and goods for resale	7	–
	<b>38</b>	<b>23</b>

Borrowings secured on the inventories of the group total US\$4 million (2007: US\$19 million).

No impairment charge has been recognised in respect of inventories during the year (2007: US\$3 million).

## 16. Trade and other receivables

	2008 US\$m	2007 US\$m
Trade receivables	1,541	1,224
Less: provision for impairment	(143)	(107)
Trade receivables – net	1,398	1,117
Other receivables	592	359
Less: provision for impairment	(42)	(27)
Other receivables – net	550	332
Amounts owed by associates – trade	3	1
Prepayments and accrued income	160	202
	<b>2,111</b>	<b>1,652</b>

Analysed as:

### Current

Trade receivables – net	1,396	1,114
Other receivables – net	315	204
Amounts owed by associates – trade	3	1
Prepayments and accrued income	157	152
	<b>1,871</b>	<b>1,471</b>

### Non-current

Trade receivables – net	2	3
Other receivables – net	235	128
Prepayments and accrued income	3	50
	<b>240</b>	<b>181</b>

<b>Total trade and other receivables</b>	<b>2,111</b>	<b>1,652</b>
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The net carrying values of trade and other receivables are considered a close approximation of their fair values.

At 31 March 2008 trade and other receivables of US\$351 million (2007: US\$197 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 2008 US\$m					Past due
		Within 30 days 2008 US\$m	30-60 days 2008 US\$m	60-90 days 2008 US\$m	90-180 days 2008 US\$m	Over 180 days 2008 US\$m
Trade receivables	1,014	220	41	24	35	31
Other receivables	425	–	–	–	–	–
Amounts owed by associates – trade	3	–	–	–	–	–

## 16. Trade and other receivables continued

	Fully performing 2007 US\$m	Within				Past due
		30 days 2007 US\$m	30-60 days 2007 US\$m	60-90 days 2007 US\$m	90-180 days 2007 US\$m	Over 180 days 2007 US\$m
Trade receivables	886	104	31	13	48	1
Other receivables	188	–	–	–	–	–
Amounts owed by associates – trade	1	–	–	–	–	–

The group holds collateral as security for past due trade receivables to the value of US\$33 million (2007: US\$28 million).

At 31 March 2008, trade receivables of US\$176 million (2007: US\$141 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2008 was US\$143 million (2007: US\$107 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 for specifically impaired trade receivables with a fair value of US\$24 million (2007: US\$19 million).

At 31 March 2008, other receivables of US\$136 million (2007: US\$121 million) were determined to be specifically impaired and provided for. The amount of the provision at 31 March 2008 was US\$42 million (2007: US\$27 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 holds collateral as security against specifically impaired other receivables equal to the net carrying value at 31 March 2008 and 31 March 2007.

Collateral held primarily includes bank guarantees, charges over assets and concurrent amounts owing to associates.

The carrying amounts of trade and other receivables are demoninated in the following currencies:

	2008 US\$m	2007 US\$m
SA Rand	212	268
US Dollars	474	352
Euro	441	228
Colombian Peso	153	152
Sterling	35	114
Other currencies	796	538
	<b>2,111</b>	1,652

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

	Trade receivables		Other receivables	
	2008 US\$m	2007 US\$m	2008 US\$m	2007 US\$m
At 1 April	(107)	(94)	(27)	(29)
Provision for receivables impairment	(2)	(18)	(15)	–
Receivables written off during the year as uncollectible	–	10	–	2
Acquisitions	(14)	(1)	–	–
Exchange adjustments	(20)	(4)	–	–
At 31 March	<b>(143)</b>	(107)	<b>(42)</b>	(27)

The creation and release of provision for impaired receivables have been included in net operating expenses in the income statement (note 3).

## 17. Cash and cash equivalents

	2008 US\$m	2007 US\$m
Short-term deposits	136	86
Cash at bank and in hand	537	395
	<b>673</b>	481

Cash and short-term deposits of US\$77 million (2007: US\$68 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.

During the year the group set up notional cash pools. The structure facilitates interest and balance compensation of cash and bank overdrafts. This notional pooling arrangement does not meet the strict set-off rules under IFRS, and as a result, the cash and bank overdraft balances have been reported 'gross' on the balance sheet. On a 'netted' pro forma basis, cash and cash equivalents and overdraft balances would have been US\$127 million lower, resulting in US\$546 million cash and cash equivalents and US\$358 million bank overdraft balances as at 31 March 2008.

## 18. Disposal groups held for sale

In the prior year comparatives, assets and liabilities relating to Productura de Jugos SA (a fruit juice manufacturer in Colombia) and Embotelladora Centroamericana SA (a Pepsi bottling operation in Costa Rica) were presented as held for sale following the approval of the group's management in June 2006 and February 2007 respectively. The sales of Embotelladora Centroamericana SA and Productura de Jugos SA were completed on 27 April 2007 and 31 May 2007 respectively. Both these disposals related to the Latin America segment.

During the year ended 31 March 2008 the sales of these businesses were completed and the group recognised a net US\$17 million profit on disposal (see note 4).

	2008 US\$m	2007 US\$m
<b>Disposal groups held for sale</b>		
Goodwill	–	10
Intangible assets	–	12
Property, plant and equipment	–	26
Inventories	–	6
Other current assets	–	10
	–	64
<b>Liabilities directly associated with disposal groups held for sale</b>		
Borrowings	–	4
Deferred tax liabilities	–	4
Provisions	–	4
Trade and other payables	–	7
	–	19

## 19. Trade and other payables

	2008 US\$m	2007 US\$m
Trade payables	926	913
Accruals	821	572
Deferred income	46	57
Containers in the hands of customers	455	331
Amounts owed to associates – trade	20	31
Deferred consideration for acquisitions	10	7
Excise duty payable	305	268
VAT and other taxes payable	157	108
Other payables	871	728
	3,611	3,015
Analysed as:		
<b>Current</b>		
Trade payables	926	913
Accruals	821	572
Deferred income	2	14
Containers in the hands of customers	455	331
Amounts owed to associates – trade	20	31
Deferred consideration for acquisitions	5	2
Excise duty payable	305	268
VAT and other taxes payable	157	108
Other payables	582	507
	3,273	2,746
<b>Non-current</b>		
Deferred income	44	43
Deferred consideration for acquisitions	5	5
Other payables	289	221
	338	269
<b>Total trade and other payables</b>	<b>3,611</b>	<b>3,015</b>

The fair value of trade and other payables approximates the carrying amount.

## 20. Deferred taxation

The movement on the net deferred tax liability is shown below:

	2008 US\$m	2007 US\$m
<b>At beginning of year</b>	<b>1,229</b>	1,163
Acquisitions	14	–
Rate Change	(5)	(34)
Exchange adjustments	198	41
Charged to the income statement	(9)	56
Taken to equity:		
– Hedging reserve	(2)	–
– Actuarial valuations	10	(2)
– Share-based payments	–	9
Transfer to disposal groups	–	(4)
<b>At end of year</b>	<b>1,435</b>	1,229

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	Other timing differences US\$m	Total US\$m
<b>Deferred tax liabilities</b>						
<b>At 1 April 2007</b>	523	(34)	1,081	(119)	(58)	1,393
Acquisitions	1	(1)	–	(1)	20	19
Rate change	(6)	–	–	–	1	(5)
Exchange adjustments	28	(3)	175	(23)	29	206
Transfers	1	–	–	–	(1)	–
Charged/(credited) to the income statement	27	8	(35)	4	158	162
<b>At 31 March 2008</b>	<b>574</b>	<b>(30)</b>	<b>1,221</b>	<b>(139)</b>	<b>149</b>	<b>1,775</b>

	Fixed asset allowances US\$m	Pensions and post- retirement benefit provisions US\$m	Provisions and accruals US\$m	Financial instruments US\$m	Other timing differences US\$m	Total US\$m
<b>Deferred tax assets</b>						
<b>At 1 April 2007</b>	(217)	279	85	–	17	164
Acquisitions	–	–	–	–	5	5
Exchange adjustments	–	(1)	5	–	4	8
Transfers	1	–	14	–	(15)	–
Credited/(charged) to the income statement	(6)	–	53	–	124	171
Taken to equity:						
– Hedging reserve	–	–	–	2	–	2
– Actuarial valuations	–	(10)	–	–	–	(10)
<b>At 31 March 2008</b>	<b>(222)</b>	<b>268</b>	<b>157</b>	<b>2</b>	<b>135</b>	<b>340</b>

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.

The deferred tax assets arise due to timing differences on provisions in Europe, Africa and Asia, North 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\$1,703 million (2007: US\$1,377 million) are expected to be recovered after more than one year.

Deferred tax assets of US\$160 million (2007: US\$43 million) are expected to be recovered after more than one year.

**20. Deferred taxation** continued

	2008 US\$m	2007 US\$m
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	62	28
Tax credits	57	8
Capital allowances in excess of depreciation	8	1
Share-based payments	5	7
	<b>132</b>	<b>44</b>

These deferred tax assets will not expire, with the exception of US\$43 million tax credits which may 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\$35 million (2007: US\$27 million) has been recognised. A deferred tax liability of US\$31 million (2007: US\$28 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 the unremitted earnings of overseas subsidiary undertakings 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. Temporary differences on which deferred tax has not been recognised are estimated at US\$4,600 million (2007: US\$2,900 million).

**21. Borrowings****Current**

	2008 US\$m	2007 US\$m
Secured:		
Secured loans	66	301
	<b>66</b>	<b>301</b>
Unsecured:		
US\$600 million 4.25% Guaranteed Notes due 2008 <sup>(1)</sup>	603	–
COP 99.7 billion DTF + 2.30% Ordinary Bonds due 2007	–	46
Commercial paper <sup>(2), (3)</sup>	380	627
Other unsecured loans	524	544
Overdrafts	485	187
Obligations under finance leases	4	6
	<b>1,996</b>	<b>1,410</b>
Total current borrowings	<b>2,062</b>	<b>1,711</b>

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

COP: Colombian Peso

DTF: Colombian average interest rate for free loan investments of the financial sector.

IPC: Consumer price index published by 'Departamento Administrativo Nacional de Estadística' of Colombia.

- (1) On 7 August 2003, Miller Brewing Company issued US\$600 million, 4.25% Guaranteed Notes due 2008, guaranteed by SABMiller plc and SABMiller Finance BV. The notes mature on 15 August 2008. 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, these notes are redeemable in whole but not in part at the option of the issuer upon occurrence of certain changes in taxation at their principle amount with accrued and unpaid interest to the date of redemption.
- (2) In October 2006, SABMiller Plc entered into a US\$1,000 million commercial paper programme for general corporate purposes. Debt issued under the programme is guaranteed by Miller Brewing Company, Miller Products Company, Miller Breweries West Limited Partnership, Miller Breweries East Inc., MBC1 LLC, MBC2 LLC and SABMiller Finance BV. The programme benefits from a dedicated US\$1,000 million 364 day back-stop facility with a one year extension.
- (3) On 17 July 2007, SABSA Holdings (Pty) Ltd and SABFIN (Pty) Ltd established a South African Rand 4,000 million Domestic Medium Term Note Programme under which commercial paper may be issued. Debt issued under the programme is guaranteed by SABMiller plc.



## 21. Borrowings continued

### Non-current

	2008 US\$m	2007 US\$m
Secured:		
Secured loans	–	16
	–	16
Unsecured:		
US\$1,100 million 5.50% Guaranteed Notes 2013 <sup>(1)</sup>	1,115	1,083
US\$600 million 4.25% Guaranteed Notes 2008	–	608
US\$300 million 6.625% Guaranteed Notes due 2033 <sup>(2)</sup>	327	297
US\$300 million Libor + 0.30% Guaranteed Notes due 2009 <sup>(3)</sup>	304	303
US\$600 million 6.20% Guaranteed Notes due 2011 <sup>(3)</sup>	608	607
US\$850 million 6.50% Guaranteed Notes due 2016 <sup>(3)</sup>	929	884
COP 640 billion IPC + 7.30% Ordinary Bonds due 2014	394	403
COP 561.8 billion IPC + 6.52% Ordinary Bonds due 2015	316	317
COP 370 billion IPC + 8.18% Ordinary Bonds due 2012	220	227
COP 338.5 billion IPC + 7.50% Ordinary Bonds due 2013	206	210
COP 40 billion DTF + 3.0% Ordinary Bonds due 2009	22	20
ZAR 1.6 billion 9.935% Ordinary Bonds due 2012 <sup>(4)</sup>	200	–
Multi-currency revolving credit facility <sup>(5)</sup>	2,069	372
Botswana pula 60 million 11.35% fixed rate bond due 2011 <sup>(6)</sup>	9	10
Other unsecured loans	868	154
Obligations under finance leases	9	9
	7,596	5,504
Total non-current borrowings	7,596	5,520
Total current and non-current borrowings	9,658	7,231
<b>Analysed as:</b>		
Borrowings	9,160	7,029
Obligations under finance leases	13	15
Overdrafts	485	187
	9,658	7,231

The fair value of non-current borrowings is US\$7,559m (2007: US\$5,646m). 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, 5.50% Guaranteed Notes due 2013, guaranteed by SABMiller plc and SABMiller Finance BV. 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. In addition 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.
- (2) On 7 August 2003, SABMiller plc issued US\$300 million, 6.625% Guaranteed Notes due 2033, guaranteed by Miller Brewing Company, Miller Products Company, Miller Breweries West Limited Partnership, Miller Breweries East Inc., MBC1 LLC, MBC2 LLC and SABMiller Finance BV. The notes mature on 15 August 2033. 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 occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.
- (3) On 28 June 2006, SABMiller plc issued US\$300 million LIBOR plus 0.30% Notes due July 2009, US\$600 million 6.20% Notes due July 2011 and US\$850 million 6.50% Notes due July 2016 and guaranteed by Miller Brewing Company, Miller Products Company, Miller Breweries West Limited Partnership, Miller Breweries East Inc., MBC1 LLC, MBC2 LLC and SABMiller Finance BV. The Fixed Rate 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 occurrence of certain changes in taxation at their principal amount with accrued and unpaid interest to the date of redemption.
- (4) On 19 July 2007, SABSA Holdings (Pty) Ltd issued South African Rand 1,600 million, 9.935% Guaranteed Notes due 2012, guaranteed by SABMiller plc. The Notes mature on 19 July 2012. The Notes were issued under the South African Rand 4,000 million Domestic Medium Term Note Programme established on 17 July 2007. The Notes are redeemable in whole or 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 the redemption.
- (5) On 15 December 2005 the group entered into a US\$2,000 million multi-currency revolving credit facility for general corporate purposes. The facility matures in December 2011.
- (6) On 28 July 2004 a 60 million Botswana Pula 11.35% unsecured private bond placing was placed in the Botswana debt capital market. This bond matures on 31 March 2011. The bond is redeemable at any time at the option of the issuer, at a market value, in whole or in part. The bond is not guaranteed.

## 21. Borrowings continued

### Maturity of borrowings

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	Derivative financial instruments* (note 23) US\$m	2008 Total US\$m	Borrowings and overdrafts US\$m	Finance leases US\$m	Derivative financial instruments* (note 23) US\$m	2007 Total US\$m
Amounts falling due:								
Between one and two years	374	2	4	380	406	8	–	414
Between two and five years	3,734	7	191	3,932	1,706	1	140	1,847
In five years or more	3,479	–	(120)	3,359	3,399	–	(13)	3,386
	<b>7,587</b>	<b>9</b>	<b>75</b>	<b>7,671</b>	<b>5,511</b>	<b>9</b>	<b>127</b>	<b>5,647</b>

\* Net borrowing-related derivative instruments only.

### Undrawn borrowing facilities

The group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

	2008 US\$m	2007 US\$m
Amounts falling due:		
Within one year	980	1,309
Between one and two years	157	373
Between two and five years	53	1,741
In five years or more	32	3
	<b>1,222</b>	<b>3,426</b>

The facilities expiring within one year are annual facilities subject to review at various dates during the 2009 financial year.

### Maturity of obligations under finance leases

Obligations under finance leases are as follows:

	2008 US\$m	2007 US\$m
The minimum lease payments under finance leases fall due as follows:		
Within one year	5	6
Between one and five years	9	10
In five years or more	–	1
	<b>14</b>	<b>17</b>
Future finance charges on finance leases	(1)	(2)
Present value of finance lease liabilities	<b>13</b>	<b>15</b>

## 22. 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 accounts, 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. In relation to brewing materials, these activities are co-ordinated by a global sourcing council. 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 group policy that no trading in financial instruments be taken.

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 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 who, 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.

Subject to special exemptions approved by the audit committee, the value of unhedged net monetary assets or liabilities within group entities denominated in a non-functional currency is required to be lower than US\$60 million in aggregate, having taken into account net investment hedges held by the group. Furthermore, the impact of a 10% change in foreign exchange rates on this aggregate value is required to be less than 1% of group operating profit (excluding exceptional items).

The group seeks to mitigate the effect of structural currency exposures, 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 currency swaps. An approximate nominal value of US\$1,580 million of US dollar borrowings has been swapped into currencies that match the currency of the underlying operations of the group, primarily Rand, but also Czech Koruna, Polish Zloty and Euro. These swaps are accounted for as net investment hedges.

# Notes to the consolidated financial statements

continued

## 22. 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
<b>Financial assets</b>							
Trade and other receivables	47	10	44	21	20	38	180
Derivative financial instruments	597	25	366	101	–	–	1,089
Cash and cash equivalents	56	6	14	81	4	14	175
Available for sale investments	1	–	–	–	–	–	1
<b>At 31 March 2008</b>	<b>701</b>	<b>41</b>	<b>424</b>	<b>203</b>	<b>24</b>	<b>52</b>	<b>1,445</b>
<b>Potential impact on earnings</b>							
10% increase	(98)	(4)	(21)	(18)	(1)	(3)	
10% decrease	80	5	26	22	2	4	
<b>Potential impact on equity</b>							
10% increase	–	–	(17)	–	–	–	
10% decrease	–	–	21	–	–	–	
<b>Financial liabilities</b>							
Trade and other payables	271	28	110	108	–	18	535
Derivative financial instruments	160	615	385	849	–	228	2,237
Borrowings	264	1	168	178	–	1	612
<b>At 31 March 2008</b>	<b>695</b>	<b>644</b>	<b>663</b>	<b>1,135</b>	<b>–</b>	<b>247</b>	<b>3,384</b>
<b>Potential impact on earnings</b>							
10% increase	72	2	28	25	–	1	
10% decrease	(59)	(2)	(35)	(31)	–	(1)	
<b>Potential impact on equity</b>							
10% increase	–	55	32	77	–	21	
10% decrease	–	(68)	(40)	(95)	–	(25)	

## 22. 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
<b>Financial assets</b>							
Trade and other receivables	69	56	17	–	–	97	239
Derivative financial instruments	443	–	192	–	–	–	635
Cash and cash equivalents	54	5	15	–	–	13	87
<b>At 31 March 2007</b>	<b>566</b>	<b>61</b>	<b>224</b>	<b>–</b>	<b>–</b>	<b>110</b>	<b>961</b>
<b>Potential impact on earnings</b>							
10% increase	(71)	(6)	(6)	–	–	(10)	
10% decrease	58	7	7	–	–	12	
<b>Potential impact on equity</b>							
10% increase	–	–	(15)	–	–	–	
10% decrease	–	–	18	–	–	–	
<b>Financial liabilities</b>							
Trade and other payables	122	54	34	8	–	95	313
Derivative financial instruments	–	624	174	651	–	–	1,449
Borrowings	378	–	–	–	–	–	378
<b>At 31 March 2007</b>	<b>500</b>	<b>678</b>	<b>208</b>	<b>659</b>	<b>–</b>	<b>95</b>	<b>2,140</b>
<b>Potential impact on earnings</b>							
10% increase	56	6	3	1	–	8	
10% decrease	(45)	(7)	(4)	–	–	(9)	
<b>Potential impact on equity</b>							
10% increase	–	56	–	59	–	–	
10% decrease	–	(68)	–	(72)	–	–	

### 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 net investment hedges totalling US\$2,079 million at 31 March 2008 (2007: US\$1,275 million). The foreign exchange gains or losses on these contracts are recorded in the foreign currency translation reserve and partially offset the foreign currency translation risk on the group's foreign currency net assets.

The tables above assumes a 10 per cent increase/(decrease) of the functional currency against the foreign currency using the asymmetric method where a 10% increase of the currency is calculated using a ratio of 1.1 whereas a 10% decrease of the currency is calculated using a ratio of 0.9. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

### (ii) Interest rate risk

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 EBITDA. Borrowings arising from recent mergers and acquisitions and any inflation linked debt, where there will be a natural hedge within business operations, are excluded from these requirements.

Exposure to movements in interest rates in group borrowings is managed through fixed rate coupons, interest rate swaps and forward rate agreements. As at 31 March 2008, 30% (2007: 34%) of consolidated net borrowings were in fixed rates, taking into account interest rate swaps and forward rate agreements. Based on the group's policy, the impact of a 1% rise in interest rates on borrowings in floating rates would be equivalent to 0.65% (2007: 0.65%) of EBITDA (excluding exceptional items).

**22. Financial risk factors** continued

At 31 March 2008 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
Net debt*	4,418	268	1,841	526	1,773	159	8,985
Less fixed rate debt	(3,583)	(200)	–	(89)	–	(22)	(3,894)
Variable rate debt	835	68	1,841	437	1,773	137	5,091
Adjust for:							
Financial derivatives	19	200	(184)	546	400	–	981
Net variable rate debt exposure	854	268	1,657	983	2,173	137	6,072
+/- 100 basis points change							
<b>Potential impact on earnings</b>	19	1	19	4	19	2	64
+/- 100 basis points change							
<b>Potential impact on equity</b>	1	–	–	1	–	–	2

At 31 March 2007 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
Net debt*	4,377	364	239	151	1,317	302	6,750
Less fixed rate debt	(3,494)	–	–	(64)	–	(15)	(3,573)
Variable rate debt	883	364	239	87	1,317	287	3,177
Adjust for:							
Financial derivatives	107	200	(174)	559	400	–	1,092
Net variable rate debt exposure	990	564	65	646	1,717	287	4,269
+/- 100 basis points change							
<b>Potential impact on earnings</b>	22	4	3	2	12	2	45
+/- 100 basis points change							
<b>Potential impact on equity</b>	2	–	2	–	–	–	4

\* Excluding net borrowing-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\$1,100 million as at 31 March 2008 (2007: US\$1,100 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. As a result, these instruments are also not exposed to interest rate risk.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and the income statement by the amounts shown above. This analysis assumes all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

## 22. Financial risk factors continued

### Interest rate profiles of financial assets and financial liabilities

The following table sets out the contractual repricing included within the underlying borrowings (excluding net borrowing-related derivatives) exposed to either fixed interest rates, floating interest rates or no interest rates and revises this for the repricing effect of interest rate and cross currency swaps.

	2008			2007		
	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
<b>Financial liabilities</b>						
Repricing due:						
Within one year	6,464	1,286	7,750	3,658	1,092	4,750
Between one and two years	–	104	104	668	317	985
Between two and five years	823	(400)	423	636	(309)	327
In five years or more	2,371	(990)	1,381	2,269	(1,100)	1,169
Total interest bearing	9,658	–	9,658	7,231	–	7,231
Analysed as:						
Fixed rate interest	3,894	(981)	2,913	3,573	(1,092)	2,481
Floating rate interest	5,764	981	6,745	3,658	1,092	4,750
Total interest bearing	9,658	–	9,658	7,231	–	7,231

### (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. These price risks are managed principally through multi year fixed price contracts with suppliers internationally.

At 31 March 2008 the notional value of commodity derivatives amounted to US\$48 million (2007: US\$nil). No sensitivity analysis has been provided on these outstanding contracts.

#### Equity securities price risk

The group is exposed to equity securities price risk on investments held by the group and classified on the balance sheet as available for sale.

### 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.

#### Cash and cash equivalents

The group limits its exposure to financial institutions by setting credit limits on a sliding scale based on credit ratings and generally only with counterparties with a credit rating of at least BBB- by Standard & Poor's 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.

#### Derivative financial assets

The group calculates credit exposures on derivatives based on their positive market values and including a percentage of the notional amount, representing the potential increased credit risk during the unwind period. This credit exposure is included in the overall exposure to financial institutions. The group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the group's credit exposure to individual counterparties.

#### Trade and other receivables

There is no 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 \$2,760m (2007: \$1,900m) which is the total of the group's financial assets.

**22. Financial risk factors continued****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 and 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.

The group has the following core lines of credit that are available for general corporate purposes and which are maintained by SABMiller plc:

- US\$2,000 million committed facility maturing in December 2012.
- US\$1,000 million committed facility maturing in September 2008, including the right of the company to term out any amounts drawn for a maximum period of one year from the date of maturity of the facility.

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.

Subsequent to the year end, the SABMiller plc put in place a new committed facility of US\$1,000 million with a final maturity date of 30 June 2009 and a new three-year committed facility totalling US\$600 million.

Including the new facilities arranged subsequent to the year end, borrowing capacity under committed bank facilities amounted to US\$2,822 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 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
<b>At 31 March 2008</b>				
Borrowings	(2,647)	(1,382)	(3,993)	(4,264)
Derivative financial instruments	(114)	(255)	(178)	(1)
Trade and other payables	(2,807)	(274)	(20)	-
<b>At 31 March 2007</b>				
Borrowings	(2,349)	(1,459)	(2,227)	(3,906)
Derivative financial instruments	(48)	(43)	(114)	(34)
Trade and other payables	(2,356)	(21)	(204)	-

The table below analyses the group's derivative financial assets which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet 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
<b>At 31 March 2008</b>				
Forward foreign exchange contracts				
Outflow	(155)	-	-	-
Inflow	176	-	-	-
Cross currency swaps				
Outflow	(36)	(34)	(245)	(229)
Inflow	18	16	243	238
Interest rate swaps				
Outflow	(10)	(10)	(43)	(8)
Inflow	17	17	50	8



## 22. Financial risk factors continued

	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
<b>At 31 March 2007</b>				
Forward foreign exchange contracts				
Outflow	(177)	–	–	–
Inflow	180	–	–	–
Cross currency swaps				
Outflow	(27)	(25)	(256)	(130)
Inflow	16	15	241	124
Interest rate swaps				
Outflow	(4)	–	–	–
Inflow	6	–	–	–

### Capital management

The capital structure of the group consists of net borrowings and shareholders' equity.

Besides the statutory minimum capitalisation rules that may apply to subsidiaries in different countries, the group is not subject to any externally imposed capital requirements.

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The group is currently rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services, both with stable outlook. Key credit metrics that underpin the group's rating are reviewed by the treasury committee on a quarterly basis. Financial covenants included in the group's core bank facilities were complied with throughout the year.

## 23. Derivative financial instruments

### Current derivative financial instruments

	2008		2007	
	Assets US\$m	Liabilities US\$m	Assets US\$m	Liabilities US\$m
Embedded derivatives	–	(1)	–	–
Interest rate swaps designated as cash flow hedges	1	–	–	–
Forward foreign currency contracts	25	(7)	1	(3)
Forward foreign currency contracts designated as net investment hedges	15	(17)	5	(2)
Forward foreign currency contracts designated as cash flow hedges	4	(9)	–	–
	45	(34)	6	(5)

### Non-current derivative financial instruments

	2008		2007	
	Assets US\$m	Liabilities US\$m	Assets US\$m	Liabilities US\$m
Cross currency swaps	–	(190)	–	(140)
Cross currency swaps designated as net investment hedges	82	(298)	6	(51)
Interest rate swaps designated as cash flow hedges	1	(8)	–	–
Interest rate swaps designated as fair value hedges	120	–	28	(13)
Commodity contracts designated as cash flow hedges	3	–	–	–
Forward foreign currency contracts	2	–	–	–
Forward foreign currency contracts designated as cash flow hedges	–	(1)	–	–
	208	(497)	34	(204)

### 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 fixed rate borrowings. The borrowings and the interest rate swaps have the same critical terms.

As at 31 March 2008, the notional amount of these interest rate swaps was US\$1,100 million (2007: US\$1,100 million). The fixed interest rates received vary from 5.5% to 6.625% (2007: 5.5% to 6.625%) and floating interest rates paid vary from LIBOR plus 71.6 basis points to LIBOR plus 131.75 basis points (2007: LIBOR plus 71.6 basis points to LIBOR plus 131.75 basis points) on the notional amount.

As at 31 March 2008, the carrying value of the hedged borrowings was US\$1,215 million (2007: US\$1,117 million).

**23. Derivative financial instruments** continued**(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\$519 million equivalent (2007: US\$324 million). The fair value of these interest rate swaps was US\$2 million (2007: US\$ nil). The fixed interest rates paid vary from 4.1% to 5.4% and the floating rates received are LIBOR plus zero basis points. As at 31 March 2008, the carrying value of the hedged borrowings was US\$519 million (2007: US\$324 million).

The group has entered into forward exchange contracts designated as cash flow hedges to manage short-term foreign currency exposures on expected future trade imports and exports. As at 31 March 2008, the notional amount of these contracts was €141 million (2007: €121 million).

The group has entered into option contracts and futures contracts designated as cash flow hedges to manage the future price of commodities. As at 31 March 2008, the notional amount of the option contracts for the purchase price of corn was US\$32 million and the notional amount of the futures contracts for the purchase price of natural gas and corn was US\$16 million.

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
<b>At 31 March 2008</b>						
Interest rate swaps:						
Assets	2	2	1	1	-	-
Liabilities	(6)	(9)	(3)	(3)	(2)	(1)
Forward exchange contracts:						
Assets	4	4	4	-	-	-
Liabilities	(10)	(10)	(10)	-	-	-
Commodity contracts:						
Assets	3	3	1	1	1	-
	(7)	(10)	(7)	(1)	(1)	(1)

**(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\$226 million (2007: Losses of US\$2 million) have been recognised in equity.

Analysis of notional amounts on financial instruments designated as net investment hedges:

	2008 m	2007 m
<b>Forward foreign currency contracts</b>		
SA Rand	2,211	1,751
Peruvian Nuevo Sol	624	-
<b>Cross currency swaps</b>		
SA Rand (ZAR)	2,799	2,799
Polish Zloty (PLN)	798	798
Czech Krone (CZK)	7,888	7,888
Euro (EUR)	246	-

**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 2008, the notional amounts of these contracts were: Czk24 million, €111 million, US\$195 million and R204 million (2007: Czk10 million, €22 million and US\$43 million).

The group has entered into forward foreign currency contracts to manage foreign currency exposures on short-term intercompany deposits. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement. As at 31 March 2008, the notional amounts of these contracts were US\$149 million and RUB2,270 million (2007: nil).

## 23. Derivative financial instruments continued

### (ii) Cross currency swaps

Bavaria S.A has entered into cross currency swaps to manage the fluctuation of the exchange rates over a portion of its US dollar debt. These derivatives are fair valued based on discounted future cash flows with gains and losses taken to the income statement.

As at 31 March 2008, the notional amount of these contracts was US\$400 million (2007: US\$400 million).

Cash deposits of US\$3 million (2007: US\$17 million) are pledged as security for the cross currency swaps.

### Fair value gain/(loss) on financial instruments recognised in the income statement

	2008 US\$m	2007 US\$m
Derivative financial instruments (note 22):		
Cross currency swaps	(18)	21
Cross currency swaps designated as net investment hedges	45	-
Embedded derivatives	1	(1)
Forward foreign currency contracts	23	2
Interest rate swaps	-	(4)
Interest rate swaps designated as fair value hedges	106	38
	157	56
Other financial instruments:		
Non-current borrowings designated as fair value hedges	(103)	(36)
	(103)	(36)
Total fair value gain/(loss) on financial instruments recognised in the income statement	54	20

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 upon 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	Amortised cost US\$m	Not a financial instrument US\$m	Total US\$m	Balance sheet	
							Current US\$m	Non current US\$m
<b>At 31 March 2008</b>								
<b>Assets</b>								
Available for sale investments	-	-	52	-	-	52	-	52
Derivative financial instruments	253	-	-	-	-	253	45	208
Trade and other receivables	-	1,782	-	-	329	2,111	1,871	240
Cash and cash equivalents	-	673	-	-	-	673	673	-
<b>Liabilities</b>								
Derivative financial instruments	531	-	-	-	-	531	34	497
Borrowings	-	-	-	9,658	-	9,658	2,062	7,596
Trade and other payables	-	-	-	3,102	509	3,611	3,273	338
<b>At 31 March 2007</b>								
<b>Assets</b>								
Available for sale investments	-	-	52	-	-	52	-	52
Derivative financial instruments	40	-	-	-	-	40	6	34
Trade and other receivables	-	1,327	-	-	325	1,652	1,471	181
Cash and cash equivalents	-	481	-	-	-	481	481	-
<b>Liabilities</b>								
Derivative financial instruments	209	-	-	-	-	209	5	204
Borrowings	-	-	-	7,231	-	7,231	1,711	5,520
Trade and other payables	-	-	-	2,581	434	3,015	2,746	269

# Notes to the consolidated financial statements

continued

## 24. Provisions

	Litigation and demerged entities US\$m	Post- retirement benefits US\$m	Insurance US\$m	Taxation- related US\$m	Onerous contracts US\$m	Restructuring US\$m	Other US\$m	Total US\$m
<b>At 1 April 2006</b>	51	974	32	193	12	5	44	<b>1,311</b>
Exchange adjustments	(1)	6	–	5	–	–	1	<b>11</b>
Charged/(credited) to the income statement								
– Additional provision in year	3	95	62	62	4	–	17	<b>243</b>
– Unused amounts reversed	(3)	–	–	–	(2)	–	(1)	<b>(6)</b>
Utilised in the year								
– Existing	(5)	(81)	(60)	(13)	(4)	–	–	<b>(163)</b>
Actuarial losses	–	5	–	–	–	–	–	<b>5</b>
Transfer from payables	–	–	–	42	–	–	–	<b>42</b>
Transfer to disposal groups	(1)	–	–	(3)	–	–	–	<b>(4)</b>
<b>At 31 March 2007</b>	44	999	34	286	10	5	61	<b>1,439</b>
Exchange adjustments	1	43	–	20	–	1	4	<b>69</b>
Arising on acquisition of subsidiary undertakings	1	7	–	3	–	7	–	<b>18</b>
Charged/(credited) to the income statement								
– Additional provision in year	2	73	54	5	–	4	2	<b>140</b>
– Unused amounts reversed	–	–	–	(9)	–	–	(2)	<b>(11)</b>
Utilised in the year	(2)	(96)	(59)	(1)	(3)	(4)	(3)	<b>(168)</b>
Actuarial gains	–	(31)	–	–	–	–	–	<b>(31)</b>
Reclassifications	(3)	22	–	–	–	3	(22)	<b>–</b>
Transfer from/(to) payables	–	–	–	8	(5)	–	1	<b>4</b>
<b>At 31 March 2008</b>	43	1,017	29	312	2	16	41	<b>1,460</b>
<b>Analysed as:</b>								
Current	25	–	13	227	2	7	26	<b>300</b>
Non-current	18	1,017	16	85	–	9	15	<b>1,160</b>
	43	1,017	29	312	2	16	41	<b>1,460</b>

### 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 2008, US\$0.3 million of this provision was further 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.

While a full provision for all claims has already been made, the actual outcome of the dispute 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 dispute.

There are US\$27 million (2007: US\$21 million) of provisions in respect of outstanding litigation within various operations, based on management expectation the outcomes of these disputes are expected to be resolved within the forthcoming five years.

### 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 to eligible employees and their dependants in North America, and pension provisions for employees in North and South America, South Africa, Europe and Africa and Asia. The principal assumptions on which these provisions are based are disclosed in note 30.

## 24. Provisions continued

### Insurance

Insurance provisions of US\$29 million (2007: US\$34 million) represent amounts provided in respect of claims made by employees for health insurance and work-related accidents. Management estimates that the provision will be substantially utilised in the next one to two years.

### 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.

### Onerous contracts

The group has made provision for certain contracts which are deemed to be onerous. The provisions are expected to be utilised within the year.

### Restructuring

This includes provision for restructuring costs primarily related to Europe which management expects to be utilised within one year.

### Other provisions

Included within other provisions are payroll related provisions of US\$21 million (2007: US\$38 million) which includes US\$9 million (2007: US\$9 million) within South Africa relating to employee long service awards. These are expected to be utilised on an ongoing basis when the service awards fall due.

## 25. Share capital

	2008 US\$m	2007 US\$m
<b>Group and company</b>		
<b>Authorised share capital</b>		
9,420,051,230 ordinary shares of 10 US cents each (2007: 9,420,051,230)	942	942
804,948,770 convertible participating shares of 10 US cents each (2007: 804,948,770)	80	80
77,368,338 non-voting convertible shares of 10 US cents each (2007: 77,368,338)	8	8
50,000 deferred shares of £1.00 each (2007: 50,000)	–	–
	<b>1,030</b>	<b>1,030</b>
<b>Called up, allotted and fully-paid share capital</b>		
1,505,779,276 (95%) ordinary shares of 10 US cents each (2007: 1,502,187,446)	150	150
77,368,338 (5%) non-voting convertible shares of 10 US cents each (2007: 77,368,338)	8	8
50,000 (0%) deferred shares of £1.00 each (2007: 50,000)	–	–
	<b>158</b>	<b>158</b>

	Ordinary shares of 10 US cents each 000	Convertible participating shares of 10 US cents each 000	Non-voting convertible shares of 10 US cents each 000	Deferred shares of £1 each 000	Nominal value US\$m
<b>At 1 April 2006</b>	1,497,845	–	77,368	50	158
Issue of shares – share purchase, option and award schemes	4,343	–	–	–	–
<b>At 31 March 2007</b>	1,502,188	–	77,368	50	158
Issue of shares – share purchase, option and award schemes	3,591	–	–	–	–
<b>At 31 March 2008</b>	1,505,779	–	77,368	50	158

### 2008

#### Changes to authorised share capital

There were no changes to the authorised share capital for the year ended 31 March 2008 (2007: None).

#### Changes to issued share capital

During the year, the company issued 3,591,830 (2007: 4,342,988) new ordinary shares of 10 US cents to satisfy the exercise of options granted under the SABMiller plc Mirror Executive Share Purchase Scheme, the SABMiller plc Approved Executive Share Option Scheme, the SABMiller plc Executive Share Option (No.2) Scheme and the SABMiller plc International Employee Share Scheme, for a consideration of US\$39 million (2007: US\$38 million).

## 25. 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, if Altria so chooses, 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 and the non-voting convertible 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 and the non-voting convertible 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 and the non-voting convertible shares. On a return of capital (whether winding-up or otherwise), the convertible participating shares will rank *pari passu* with the ordinary shares and the non-voting convertible shares.

Altria shall be 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 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 shall be 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 shall be 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.

The company shall use its best endeavours to procure that the ordinary shares arising on conversion of the convertible participating shares and the non-voting convertible 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 Securities Exchange South Africa, 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 or the non-voting convertible shares whilst they remain convertible participating shares or non-voting convertible shares (as the case may be).

#### Non-voting convertible shares

Safari Limited (Safari) holds non-voting convertible shares of 10 US cents each. Safari shall not be entitled to vote its non-voting convertible shares on any resolution other than a resolution to alter any of the class rights attaching to the non-voting convertible shares, in which case Safari shall be entitled to vote on the resolution on the basis of one vote for each non-voting convertible share.

The non-voting convertible shares rank *pari passu* with the ordinary shares and the convertible participating 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 non-voting convertible shares and the convertible participating shares. On distribution of the profits (whether by cash dividend, dividend in specie, scrip dividend, capitalisation issue or otherwise), the non-voting convertible shares rank *pari passu* with the ordinary shares and the convertible participating shares. On a return of capital (whether winding-up or otherwise), the non-voting convertible shares each rank *pari passu* with the ordinary shares and the convertible participating shares.

The non-voting convertible shares are convertible into ordinary shares on a transfer to a third party unconnected with SABMiller, or Altria or any of their affiliates or any person deemed to be acting in concert with SABMiller or Altria.

## 25. Share capital continued

### 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.

### Ordinary shares

The holders of ordinary shares are entitled to receive the company's report and accounts, attend, speak and vote at general meetings and appoint proxies to exercise voting rights. Holders of ordinary shares may also receive a dividend (subject to the provisions of the company's articles of association) and on winding up of the company may share in the assets of the company.

### Share-based payments

The group operates various equity- and cash-settled share option schemes for certain employees. The awards outstanding can be summarised as follows:

Scheme	Number of Ordinary shares 2008	Number of Ordinary shares 2007
<b>Equity-settled plans</b>		
Mirror Executive Share Purchase Scheme (South Africa) (a)	12,489,849	11,772,323
Executive Share Option Scheme (Approved Scheme and (No 2) Scheme) (b)	10,389,796	9,688,432
Performance Share Award Scheme (c)	2,266,535	1,586,484
International Performance Share Award Sub-Scheme (d)	2,941,808	2,147,892
International Employee Share Scheme (e)	4,096,202	3,379,216
International Employee Stock Appreciation Rights Scheme (f)*	7,007,391	–
<b>Total equity-settled plans</b>	<b>39,191,581</b>	<b>28,574,347</b>
<b>Cash-settled plans</b>		
International Employee Stock Appreciation Rights Scheme (f)*	–	6,303,066
<b>Total cash-settled plans</b>	<b>–</b>	<b>6,303,066</b>
<b>Total of share option schemes</b>	<b>39,191,581</b>	<b>34,877,413</b>

\* During the year this scheme was modified such that any outstanding awards are now equity-settled rather than cash-settled.

Further details relating to all of the equity-settled and cash-settled share option schemes can be found in the Remuneration report in the section entitled 'Long-term incentive plans' on page 51.

#### a) Mirror Executive Share Purchase Scheme (South Africa)

As at 31 March 2008 the following options were outstanding under the SABMiller plc Mirror Executive Share Purchase Scheme (South Africa):

Date of grant	2008 Ordinary shares	2007 Ordinary shares	Exercise price (R)	Exercise period	
				Earliest date	Latest date
19 January 1998	–	70,000	48.62	19.01.2003	19.01.2008
14 September 1998	–	50,000	32.84	14.09.2003	14.09.2008
11 November 1998	60,000	95,000	46.40	11.11.2003	11.11.2008
27 May 1999	40,500	56,000	50.90	27.05.2004	27.05.2009
25 November 1999	26,000	32,500	56.50	25.11.2004	25.11.2009
2 June 2000	228,200	323,700	43.09	02.06.2005	02.06.2010
1 December 2000	169,950	227,500	45.97	01.12.2005	01.12.2010
1 June 2001	98,500	127,500	59.15	01.06.2006	01.06.2011
30 November 2001	441,400	645,000	67.05	30.11.2006	30.11.2011
31 May 2002	115,700	361,300	80.05	31.05.2007	31.05.2012
22 November 2002	937,600	1,505,000	67.17	22.11.2007	22.11.2012
23 May 2003	695,432	876,164	53.30	23.05.2008	23.05.2013
21 November 2003	850,500	899,000	62.55	21.11.2008	21.11.2013
21 May 2004	713,500	743,500	78.30	21.05.2009	21.05.2014
19 November 2004	917,000	987,000	96.25	19.11.2009	19.11.2014
18 February 2005	50,000	50,000	93.25	18.02.2010	18.02.2015
20 May 2005	855,157	1,011,299	96.95	20.05.2010	20.05.2015
9 September 2005	245,000	245,000	117.07	09.09.2010	09.09.2015
11 November 2005	960,000	1,053,000	124.34	11.11.2010	11.11.2015
19 May 2006	1,222,360	1,409,360	129.18	19.05.2009	19.05.2016
10 November 2006	932,500	1,004,500	149.26	10.11.2009	10.11.2016
18 May 2007	985,150	–	161.85	18.05.2010	18.05.2017
2 August 2007	37,500	–	178.56	02.08.2010	02.08.2017
16 November 2007	1,907,900	–	181.88	16.11.2010	16.11.2017
<b>Total</b>	<b>12,489,849</b>	<b>11,772,323</b>			

**25. Share capital** continued**b) Executive Share Option Scheme (Approved Scheme and (No 2) Scheme)**

As at 31 March 2008 the following options were outstanding under the UK SABMiller plc Approved Executive Share Option and SABMiller plc Unapproved Executive Share Option (No 2) Schemes:

Date of grant	2008 Ordinary shares	2007 Ordinary shares	Exercise price £	Exercise period	
				Earliest date	Latest date
9 March 1999	<b>112,577</b>	146,526	4.850	09.03.2002	09.03.2009
16 March 1999*	<b>11,172</b>	22,344	5.370	16.03.2002	16.03.2009
27 May 1999	<b>9,476</b>	18,149	5.170	27.05.2002	27.05.2009
2 June 2000	<b>197,237</b>	283,400	4.110	02.06.2003	02.06.2010
1 December 2000	<b>40,284</b>	40,284	4.220	01.12.2003	01.12.2010
1 December 2000*	<b>7,109</b>	7,109	4.220	01.12.2003	01.12.2010
1 June 2001	<b>444,026</b>	510,802	5.160	01.06.2004	01.06.2011
30 November 2001	<b>38,136</b>	43,814	4.720	30.11.2004	30.11.2011
30 November 2001*	–	6,356	4.720	30.11.2004	30.11.2011
31 May 2002	<b>597,737</b>	702,902	5.705	31.05.2005	31.05.2012
31 May 2002*	<b>10,518</b>	15,777	5.705	31.05.2005	31.05.2012
22 November 2002	<b>94,000</b>	126,000	4.400	22.11.2005	22.11.2012
22 November 2002*	<b>18,386</b>	20,454	4.400	22.11.2005	22.11.2012
23 May 2003	<b>841,947</b>	1,170,177	4.158	23.05.2006	23.05.2013
23 May 2003*	<b>7,216</b>	14,432	4.158	23.05.2006	23.05.2013
21 November 2003	<b>152,500</b>	219,600	5.537	21.11.2006	21.11.2013
21 November 2003*	<b>24,747</b>	30,165	5.537	21.11.2006	21.11.2013
21 May 2004	<b>1,035,231</b>	1,652,640	6.605	21.05.2007	21.05.2014
21 May 2004*	<b>13,210</b>	35,920	6.605	21.05.2007	21.05.2014
19 November 2004	<b>106,750</b>	160,452	8.700	19.11.2007	19.11.2014
19 November 2004*	<b>3,169</b>	12,454	8.700	19.11.2007	19.11.2014
20 May 2005	<b>1,663,983</b>	1,739,283	8.280	20.05.2008	20.05.2015
20 May 2005*	<b>70,206</b>	77,217	8.280	20.05.2008	20.05.2015
11 November 2005	<b>307,285</b>	358,885	10.530	11.11.2008	11.11.2015
11 November 2005*	<b>9,421</b>	12,270	10.530	11.11.2008	11.11.2015
19 May 2006	<b>1,994,929</b>	2,062,729	10.610	19.05.2009	19.05.2016
19 May 2006*	<b>50,644</b>	56,481	10.610	19.05.2009	19.05.2016
10 November 2006	<b>103,600</b>	139,750	10.930	10.11.2009	10.11.2016
10 November 2006*	<b>2,060</b>	2,060	10.930	10.11.2009	10.11.2016
22 November 2006	<b>26,600</b>	–	10.930	22.11.2009	22.11.2016
18 May 2007	<b>2,207,756</b>	–	11.670	18.05.2010	18.05.2017
18 May 2007*	<b>96,544</b>	–	11.670	18.05.2010	18.05.2017
2 August 2007	<b>55,561</b>	–	12.300	02.08.2010	02.08.2017
2 August 2007*	<b>2,439</b>	–	12.300	02.08.2010	02.08.2017
16 November 2007	<b>28,836</b>	–	13.320	16.11.2010	16.11.2017
16 November 2007*	<b>4,504</b>	–	13.320	16.11.2010	16.11.2017
	<b>10,389,796</b>	9,688,432			

\* SABMiller plc Approved Executive Share Option Scheme.



## 25. Share capital continued

### c) Performance Share Award scheme

As at 31 March 2008 the following options were outstanding under the SABMiller plc Performance Share Award Scheme:

Date of award	2008 Ordinary shares	2007 Ordinary shares	Exercise price £	Date by which performance condition must be met
21 May 2004	–	354,239	Nil	21.05.2007
20 May 2005	<b>308,855</b>	332,745	Nil	20.05.2008
28 February 2006	<b>20,000</b>	20,000	Nil	28.02.2009
19 May 2006	<b>810,000</b>	847,500	Nil	19.05.2009
13 March 2007	<b>32,000</b>	32,000	Nil	13.03.2010
18 May 2007	<b>862,500</b>	–	Nil	18.05.2010
18 May 2007	<b>191,000</b>	–	Nil	18.05.2010
2 August 2007	<b>37,500</b>	–	Nil	02.08.2010
16 November 2007	<b>4,680</b>	–	Nil	16.11.2010
	<b>2,266,535</b>	1,586,484		

Certain of these awards may rank for a 50% additional reward, provided the shares are held in the EBT for a period of two years after vesting.

### d) International Performance Share Award Sub-Scheme

At 31 March 2008 the following options were outstanding under the SABMiller plc International Performance Share Award Sub-Scheme:

Date of award	2008 Ordinary shares	2007 Ordinary shares	Exercise price £	Date by which performance condition must be met
1 April 2004 to 31 March 2007	–	562,110	Nil	01.04.2007
1 April 2005 to 31 March 2008	<b>443,628</b>	500,422	Nil	01.04.2008
1 April 2006 to 31 March 2008	<b>143,880</b>	147,620	Nil	01.04.2008
1 April 2006 to 31 March 2009	<b>422,340</b>	468,040	Nil	01.04.2009
1 April 2006 to 31 March 2009	<b>323,640</b>	332,200	Nil	01.04.2009
1 April 2006 to 31 March 2009	<b>50,000</b>	50,000	Nil	01.04.2009
1 April 2006 to 31 March 2009	–	37,500	Nil	01.04.2009
1 April 2006 to 31 March 2009	<b>50,000</b>	50,000	Nil	01.04.2009
1 April 2007 to 31 March 2010	<b>377,800</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>27,620</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>20,000</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>400,200</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>56,000</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>144,000</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>116,600</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>37,500</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>244,600</b>	–	Nil	01.04.2010
1 April 2007 to 31 March 2010	<b>84,000</b>	–	Nil	01.04.2010
	<b>2,941,808</b>	2,147,892		

**25. Share capital** continued**e) International Employee Share Scheme**

At 31 March 2008 the following shares were outstanding under the SABMiller plc International Employee Share Scheme:

Date of grant	2008 Ordinary shares	2007 Ordinary shares	Exercise price £	Partial vesting date from
1 January 2003*	296,669	366,669	4.158	01.01.2004
21 May 2004	673,985	818,319	6.605	21.05.2005
21 May 2004**	5,000	5,000	6.605	21.05.2007***
20 May 2005**	5,000	5,000	8.280	20.05.2008***
20 May 2005	867,906	1,030,506	8.280	20.05.2006
11 November 2005	87,630	87,630	10.530	11.11.2006
19 May 2006	861,862	932,742	10.610	19.05.2007
19 May 2006	100,000	100,000	10.610	19.05.2009***
19 May 2006**	5,000	5,000	10.610	19.05.2009***
10 November 2006	28,350	28,350	10.930	10.11.2007
18 May 2007	1,050,300	–	11.670	18.05.2008
18 May 2007	100,000	–	11.670	18.05.2010***
18 May 2007**	2,000	–	11.670	18.05.2010***
2 August 2007	12,500	–	12.300	02.08.2010***
	<b>4,096,202</b>	<b>3,379,216</b>		

\* Granted on 23 May 2003 but effective as at 1 January 2003.

\*\* SABMiller plc International Employee Share Scheme (Hong Kong and China).

\*\*\* Three year vesting.

**f) International Employee Stock Appreciation Rights (SAR) Scheme**

During the year the International Employee Stock Appreciation Rights Scheme was modified such that all outstanding shares are now equity-settled rather than cash-settled. Prior to this modification the group issued to certain employees SAR that require the group to pay the intrinsic value of the SAR to the employee at the date of the exercise. The group has recorded a liability of US\$ nil (2007: US\$48 million) in respect of the SAR scheme.

The intrinsic value of liabilities which have vested at 31 March 2008 is US\$ nil (2007: US\$16 million).

As at 31 March 2008 the following awards were outstanding under the SABMiller plc International Employee Stock Appreciation Rights Scheme:

Date of award	2008 SARS	2007 SARS	Exercise price £	Partial vesting date from
1 January 2003*	1,036,654	1,207,907	4.158	01.01.2004
21 November 2003	15,000	45,000	5.537	21.11.2004
21 May 2004	1,434,407	1,828,217	6.605	21.05.2005
20 May 2005	1,347,507	1,589,476	8.280	20.05.2006
19 May 2006	1,387,113	1,575,716	10.610	19.05.2007
10 November 2006	56,750	56,750	10.930	10.11.2007
18 May 2007	1,661,260	–	11.670	18.05.2008
16 November 2007	68,700	–	13.320	16.11.2008
	<b>7,007,391</b>	<b>6,303,066</b>		

\* Granted on 23 May 2003 but effective as at 1 January 2003.

## 25. Share capital continued

### Outstanding share awards

The following table summarises information about share awards outstanding at 31 March:

Range of exercise prices	Number 2008	Weighted average remaining contractual life in years 2008	Number 2007	Weighted average remaining contractual life in years 2007
<b>Share awards designated in Pounds Sterling</b>				
£0	5,208,343	1.5	3,734,376	1.3
£4-£5	2,690,215	4.5	3,433,128	3.2
£5-£6	1,265,176	4.0	1,564,739	4.9
£6-£7	3,161,833	6.1	4,340,096	3.5
£8-£9	4,064,521	7.1	4,614,388	4.7
£10-£11	5,021,244	8.1	5,418,363	6.0
£11-£12	5,117,860	9.1	–	–
£12-£13	172,540	9.5	–	–
	<b>26,701,732</b>	<b>6.1</b>	<b>23,105,090</b>	<b>4.0</b>
<b>Share awards designated in South African Rands</b>				
R30-R40	–	–	50,000	1.5
R40-R50	458,150	2.2	716,200	2.9
R50-R60	860,432	4.6	1,092,164	5.6
R60-R70	2,229,500	4.8	3,049,000	5.7
R70-R80	713,500	6.1	743,500	7.1
R80-R90	115,700	4.2	361,300	5.2
R90-R100	1,822,157	6.9	2,048,299	7.9
R110-R120	245,000	7.4	245,000	8.4
R120-R130	2,182,360	7.9	2,462,360	8.9
R140-R150	932,500	8.6	1,004,500	9.6
R160-R170	985,150	9.1	–	–
R170-R180	37,500	9.3	–	–
R180-R190	1,907,900	9.6	–	–
	<b>12,489,849</b>	<b>7.0</b>	<b>11,772,323</b>	<b>7.0</b>
	<b>39,191,581</b>	<b>6.4</b>	<b>34,877,413</b>	<b>5.0</b>

### Exercisable shares

The following table summarises information about exercisable share awards outstanding at 31 March:

	Number 2008	Weighted average exercise price 2008	Number 2007	Weighted average exercise price 2007
Share awards designated in Pounds Sterling	11,959,261	7.12	10,352,015	6.10
Share awards designated in South African Rands	2,117,850	62.1	1,627,200	54.9

## 25. Share capital continued

The exercise prices of options outstanding at 31 March 2008 ranged from £0 to £13.32 and R46.40 and R181.88. The movement in share awards outstanding is summarised in the following table:

	Number of awards under UK option	Weighted average exercise price (£)	Weighted average fair value at grant date (£)	Number of awards under SA option	Weighted average exercise price (R)	Weighted average fair value at grant date (R)	Total number of awards under option
Outstanding at 31 March 2006	20,540,563	5.68	–	11,702,563	75.9	–	32,243,126
Granted	7,459,209	7.30	4.74	2,496,860	137.5	44.9	9,956,069
Lapsed	(669,111)	6.11	–	(681,800)	91.6	–	(1,350,911)
Exercised or vested	(4,225,571)	4.61	–	(1,745,300)	56.7	–	(5,970,871)
Outstanding at 31 March 2007	23,105,090	6.38	–	11,772,323	90.87	–	34,877,413
Granted	8,223,950	7.84	5.47	3,057,850	174.89	62.8	11,281,800
Lapsed	(1,447,075)	3.82	–	(686,100)	121.62	–	(2,133,175)
Exercised or vested	(3,180,233)	5.77	–	(1,654,224)	66.06	–	(4,834,457)
<b>Outstanding at 31 March 2008</b>	<b>26,701,732</b>	<b>7.04</b>	<b>–</b>	<b>12,489,849</b>	<b>113.04</b>	<b>–</b>	<b>39,191,581</b>

### Awards exercised

The weighted average market price of the group's shares at the date of exercise for share awards exercised or vested during the year were:

	Number 2008	Weighted average market price 2008	Number 2007	Weighted average market price 2007
Share awards designated in Pounds Sterling				
– Equity-settled	2,373,427	12.40	3,155,991	10.60
– Cash-settled	806,806	12.84	1,069,580	11.02
	<b>3,180,233</b>	<b>12.52</b>	<b>4,225,571</b>	<b>10.70</b>
Share awards designated in South African Rands				
– Equity-settled	1,654,224	181.23	1,745,300	143.63
<b>Total awards exercised during the year</b>	<b>4,834,457</b>		<b>5,970,871</b>	

Share-based payments have been valued using a binomial model approach except for the Performance Share awards which have been valued using Monte Carlo simulations.

The Monte Carlo simulation methodology is necessary for valuing share-based payments with Total Shareholder Return 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 options after considering their respective volatilities.

### Weighted average fair value assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model for share options.

The following weighted average assumptions were used in these option pricing models during the year:

	2008	2007
Share price*		
– South African schemes (R)	178.02	136.24
– All other schemes (£)	11.95	10.30
Exercise price*		
– South African schemes (R)	174.89	136.67
– All other schemes (£)	7.84	8.89
Expected volatility (all schemes)**	22.5%	22.5%
Dividend yield (all schemes)	2.1%	2.1%
Annual forfeiture rate		
– South African schemes	7.5%	7.5%
– All other schemes	3.0%	3.0%
Risk-free interest rate		
– South African schemes	8.1%	8.0%
– All other schemes	5.1%	4.4%

\* The calculation is based on the weighted fair values of issues made during the financial year.

\*\* Expected volatility is calculated by assessing the historic share price data in the United Kingdom and South Africa since May 1999 and May 2001 respectively.

## 26a. Statement of changes in shareholders' equity

	Share capital US\$m	Share premium US\$m	Merger relief reserve US\$m	Other reserves* US\$m	Safari and EBT shares US\$m	Retained earnings US\$m	Total US\$m	Minority interest US\$m	Total equity US\$m
<b>At 1 April 2006</b>	158	6,099	3,395	102	(655)	3,944	13,043	542	13,585
Currency translation differences									
– group	–	–	–	367	–	–	367	3	370
– associates	–	–	–	(8)	–	–	(8)	–	(8)
Net investment hedges – fair value losses in period	–	–	–	(2)	–	–	(2)	–	(2)
Fair value gains on available for sale investments	–	–	–	7	–	–	7	–	7
Deferred tax charge on items taken to equity	–	–	–	–	–	(7)	(7)	–	(7)
Actuarial gains taken to equity	–	–	–	–	–	(5)	(5)	–	(5)
Other movements	–	–	–	–	–	4	4	–	4
Profit for the financial year	–	–	–	–	–	1,649	1,649	234	1,883
Dividends paid	–	–	–	–	–	(681)	(681)	(165)	(846)
Issued capital	–	38	–	–	–	–	38	–	38
Payment for purchase of own shares for share trusts	–	–	–	–	(30)	–	(30)	–	(30)
Utilisation of EBT shares	–	–	–	–	2	(2)	–	–	–
Disposal of shares in subsidiaries	–	–	–	–	–	–	–	7	7
Payment for buyout of minorities	–	–	–	–	–	–	–	(26)	(26)
Equity settled share incentive plans	–	–	–	–	–	31	31	–	31
<b>At 31 March 2007</b>	158	6,137	3,395	466	(683)	4,933	14,406	595	15,001
Currency translation differences									
– group	–	–	–	1,870	–	–	1,870	57	1,927
– associates	–	–	–	102	–	–	102	–	102
Net investment hedges – fair value losses in period	–	–	–	(226)	–	–	(226)	–	(226)
Cash flow hedges – fair value losses in the period	–	–	–	1	–	–	1	–	1
Fair value gains on available for sale investments	–	–	–	2	–	–	2	–	2
Deferred tax charge on items taken to equity	–	–	–	–	–	(8)	(8)	–	(8)
Actuarial gains taken to equity	–	–	–	–	–	31	31	–	31
Other movements	–	–	–	–	–	(5)	(5)	–	(5)
Profit for the financial year	–	–	–	–	–	2,023	2,023	265	2,288
Dividends paid	–	–	–	–	–	(769)	(769)	(201)	(970)
Issued capital	–	39	–	–	–	–	39	–	39
Payment for purchase of own shares for share trusts	–	–	–	–	(33)	–	(33)	–	(33)
Utilisation of EBT shares	–	–	–	–	8	(8)	–	–	–
Payment for buyout of minorities	–	–	–	–	–	–	–	(17)	(17)
Credit entry relating to share-based payments	–	–	–	–	–	58	58	–	58
Change in settlement basis of share incentive plans	–	–	–	–	–	54	54	–	54
<b>At 31 March 2008</b>	158	6,176	3,395	2,215	(708)	6,309	17,545	699	18,244

\* The analysis of movements in other reserves is given in note 26(b).

The group's retained earnings includes amounts of US\$510 million (2007: US\$607 million), the distribution of which is limited by statutory or other restrictions.

**26a. Statement of changes in shareholders' equity** continued**Safari and EBT shares reserve**

In the financial year ended 31 March 2000, Safari Limited (a special purpose vehicle established and financed by a wholly-owned subsidiary of SABMiller plc) acquired 77,368,338 SABMiller plc shares at an initial cost of US\$560 million. In terms of the agreement, a top-up payment of US\$58 million was accrued for at 31 March 2001 and paid to the selling shareholders on 3 April 2001. On 9 July 2002 these shares held by Safari Ltd were converted to non-voting convertible shares. These shares have been treated as a deduction in arriving at shareholders' funds.

The employees' benefit trust holds shares in SABMiller plc for the purposes of the various executive share incentive schemes, further details of which are disclosed in the report on directors' remuneration. The shares currently rank pari passu with all other ordinary shares. At 31 March 2008 the trusts held 4,644,176 shares (2007: 4,034,111 shares) which cost US\$74 million (2007: US\$58 million) and had a market value of US\$102 million (2007: US\$88 million). These shares have been treated as a deduction in arriving at shareholders' funds. The trusts used funds provided by SABMiller plc to purchase the shares. The costs of funding and administering the scheme are charged to the income statement in the period to which they relate.

**26b. Other reserves**

	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 Other reserves US\$m
<b>At 1 April 2006</b>	104	–	(2)	–	102
Currency translation differences – group	367	–	–	–	367
Currency translation differences – associates	(8)	–	–	–	(8)
Net investment hedges – fair value losses in period	–	–	(2)	–	(2)
Fair value gains on available for sale investments	–	–	–	7	7
<b>At 31 March 2007</b>	463	–	(4)	7	466
Currency translation differences – group	1,870	–	–	–	1,870
Currency translation differences – associates	102	–	–	–	102
Net investment hedges – fair value losses in period	–	–	(226)	–	(226)
Cash flow hedges – fair value gains in the period	–	1	–	–	1
Fair value gains on available for sale investments	–	–	–	2	2
<b>At 31 March 2008</b>	<b>2,435</b>	<b>1</b>	<b>(230)</b>	<b>9</b>	<b>2,215</b>

**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.

**Merger relief reserve**

In accordance with section 131 of The Companies Act 1985, 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.

## 27a. Reconciliation of profit for the year to net cash generated from operations

	2008 US\$m	2007 US\$m
Profit for the year	2,288	1,883
Taxation	976	921
Share of post-tax results of associates	(272)	(205)
Interest receivable and similar income	(265)	(240)
Interest payable and similar charges	721	668
<b>Operating profit</b>	<b>3,448</b>	<b>3,027</b>
Depreciation:		
– property, plant and equipment	633	550
– containers	215	187
Container breakages, shrinkage and write-offs	27	44
Profit on sale of property, plant and equipment and investments	(12)	(6)
Exceptional profit on sale of property, plant and equipment (Europe)	–	(14)
Impairment of property, plant and equipment	5	13
Amortisation of intangible assets	190	162
Unrealised net loss from derivatives	(26)	(2)
Exceptional profit on disposal of subsidiaries	(17)	–
Dividends received from other investments	(1)	(1)
Charge with respect to share options	58	31
Restructuring and integration costs (Latin America)	–	10
Adjustment to goodwill (Europe)	–	31
Other non-cash movements	(2)	(1)
<b>Net cash generated from operations before working capital movements (EBITDA)</b>	<b>4,518</b>	<b>4,031</b>
Increase in inventories	(337)	(73)
Increase in receivables	(160)	(294)
Increase in payables	282	319
(Decrease)/increase in provisions	(5)	21
(Decrease)/increase in post-retirement provisions	(22)	14
<b>Net cash generated from operations</b>	<b>4,276</b>	<b>4,018</b>

Cash generated from operations include cash flows relating to exceptional items of US\$19 million in respect of South American and European integration and restructuring costs (2007: US\$37 million).

# Notes to the consolidated financial statements

continued

## 27b. Analysis of net debt

	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
<b>At 1 April 2007</b>	481	(187)	(7,029)	(127)	(15)	(7,358)	(6,877)
Exchange adjustments	(72)	(41)	(388)	–	(1)	(430)	(502)
Cash flow	254	(248)	(1,454)	(10)	7	(1,705)	(1,451)
Acquisitions	10	(9)	(164)	–	–	(173)	(163)
Other movements	–	–	(125)	62	(4)	(67)	(67)
<b>At 31 March 2008</b>	<b>673</b>	<b>(485)</b>	<b>(9,160)</b>	<b>(75)</b>	<b>(13)</b>	<b>(9,733)</b>	<b>(9,060)</b>

Cash and cash equivalents on the balance sheet are reconciled to cash and cash equivalents on the cash flow as follows:

	2008 US\$m	2007 US\$m
Cash and cash equivalents (balance sheet)	673	481
Overdrafts	(485)	(187)
Cash and cash equivalents (cash flow)	188	294

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	129	19	36	77	220	481
Total gross borrowings (including overdrafts)	(4,580)	(389)	(267)	(1,384)	(738)	(7,358)
	(4,451)	(370)	(231)	(1,307)	(518)	(6,877)
Cross currency swaps	1,400	(400)	–	(400)	(600)	–
<b>Net debt at 31 March 2007</b>	<b>(3,051)</b>	<b>(770)</b>	<b>(231)</b>	<b>(1,707)</b>	<b>(1,118)</b>	<b>(6,877)</b>
Total cash and cash equivalents	196	171	43	34	229	673
Total gross borrowings (including overdrafts)	(4,686)	(439)	(1,888)	(1,807)	(913)	(9,733)
	(4,490)	(268)	(1,845)	(1,773)	(684)	(9,060)
Cross currency swaps	1,731	(400)	(331)	(400)	(600)	–
<b>Net debt at 31 March 2008</b>	<b>(2,759)</b>	<b>(668)</b>	<b>(2,176)</b>	<b>(2,173)</b>	<b>(1,284)</b>	<b>(9,060)</b>

## 27c. Major non-cash transactions

### 2008

No major non-cash transactions occurred during the year.

### 2007

No major non-cash transactions occurred during the year.



## 28. Acquisitions and disposals

The following significant business combinations took effect during the year:

### Grolsch

On 12 February 2008, SABMiller plc completed the acquisition of a 100% interest in Royal Grolsch N.V. for a cash consideration of US\$1,190 million and deferred consideration of US\$4 million.

### Other

On 8 January 2008, SABMiller plc completed the acquisition of a 99.96% interest in Browar Belgia Sp.z.o.o in Poland for a cash consideration of US\$91 million. On 12 October 2007, SABMiller plc also completed the acquisition of a 100% interest in Bevande Torino S.r.l in Italy.

### All business combinations

All business combinations have been accounted for using the purchase 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 2008:

	Provisional fair value US\$m
Intangible assets	19
Property, plant and equipment	515
Investments in associates	13
Available for sale investments	1
Inventories	34
Trade and other receivables	122
Cash and cash equivalents	10
Current tax assets	7
Derivative financial assets	1
Borrowings	(173)
Trade and other payables	(140)
Current tax liabilities	(1)
Derivative financial liabilities	(4)
Net deferred tax liabilities	(14)
Provisions	(18)
	372
Goodwill	917
Consideration	1,289
<b>Consideration satisfied by:</b>	
Total consideration	1,289
Less: Cash and cash equivalents acquired	(1)
Less: Deferred consideration	(4)
Cash outflow on acquisition	1,284

From the date of acquisition to 31 March 2008 the following amounts have been included in the group's income and cash flow statements for the year:

	Grolsch US\$m	Other acquisitions US\$m	Total US\$m
<b>Income statement</b>			
Revenue	52	1	53
Operating profit	(3)	(2)	(5)
Profit before tax	(3)	(2)	(5)
<b>Cash flow statement</b>			
Cash generated from operations	(20)	(2)	(22)
Net interest paid	(1)	–	(1)
Purchase of property, plant and equipment	(8)	–	(8)

If the date of acquisition made in the year had been 1 April 2007, then the group's revenue, operating profit and profit before tax for the year ended 31 March 2008 would have been as follows:

	Group US\$m
Revenue	21,872
Operating profit	3,472
Profit before tax	3,276

## 28. Acquisitions and disposals continued

## Grosch

	Carrying values pre-acquisition US\$m	Provisional fair value US\$m
Intangible assets	3	3
Property, plant and equipment	441	441
Investments in associates	13	13
Available for sale investments	1	1
Inventories	29	27
Trade and other receivables	163	110
Cash and cash equivalents	9	9
Current tax assets	1	7
Derivative financial assets	1	1
Borrowings	(162)	(162)
Trade and other payables	(92)	(115)
Current tax liabilities	(1)	(1)
Derivative financial liabilities	(4)	(4)
Net deferred tax liabilities	(23)	(18)
Provisions	(6)	(15)
	373	297
<b>Net assets acquired</b>		297
Provisional goodwill*		897
Consideration		1,194
<b>Consideration satisfied by:</b>		
Cash		1,190
Deferred consideration		4
		1,194

The (outflow)/inflow of cash and cash equivalents on the initial Grosch transaction is calculated as follows:

	US\$m
Cash consideration	(1,194)
Cash and cash equivalents acquired	9
	(1,185)
Overdrafts acquired (included on borrowings)	(9)

The intangible assets acquired as part of the initial Grosch transaction can be analysed as follows:

	US\$m
Distribution network	3

## Other acquisitions

	Carrying values pre-acquisition US\$m	Provisional fair value US\$m
Intangible assets	8	16
Property, plant and equipment	70	74
Inventories	11	7
Trade and other receivables	12	12
Cash and cash equivalents	1	1
Borrowings	(12)	(11)
Trade and other payables	(23)	(25)
Net deferred tax asset	–	4
Provisions	(3)	(3)
	64	75
Equity minority interests		–
<b>Net assets acquired</b>		75
Provisional goodwill*		20
Consideration		95

## 28. Acquisitions and disposals continued

### Consideration satisfied by:

Cash	95
------	----

The inflow/(outflow) of cash and cash equivalents on the other acquisitions is calculated as follows:

	US\$m
Cash consideration	(95)
Cash and cash equivalents acquired	1
	(94)
Overdrafts acquired (included in borrowings)	-

The intangible assets acquired as part of the other acquisitions can be analysed as follows:

	US\$m
Customer lists	8
Brands and trademarks	8
	16

\* The fair value adjustments include provisional amounts which will be finalised in the year ended 31 March 2009.

Goodwill represents amongst other things, the following:

- brands yet to be recognised separately from goodwill;
- assembled work force; and
- value of synergies.

### Minority interests

The following minority interests were acquired for a total consideration of US\$49 million with additional goodwill of US\$27 million recognised.

	% acquired	Effective holding after acquisition of minority interest	Form of consideration	Region
Bavaria S.A.	0.3	99%	Cash	Colombia
Cerveceria Nacional S.A.	6.2	97%	Cash	Panama
Refrescos Nacionales S.A.	0.8	96%	Cash	Panama
MDVSAM Distributor	6.0	100%	Cash	Italy
Doreca Bibtal S.r.l.	8.9	100%	Cash	Italy
Doreca Bottaro S.r.l.	40.0	100%	Cash	Italy
Doreca Sicilia S.r.l.	30.0	100%	Cash	Italy

### Disposals

During the year the group completed the sale of Productura de Jugos SA (a fruit juice manufacturer in Colombia) and Embotelladora Centroamericana S.A. (a Pepsi bottling operation in Costa Rica). Both these disposals relate to the Latin America segment.

## 29. Commitments, contingencies and guarantees

### a) Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases at 31 March 2008 are as follows:

	2008 US\$m	2007 US\$m
<b>Land and buildings</b>		
Within one year	40	18
Later than one year and less than five years	101	33
After five years	42	27
	<b>183</b>	<b>78</b>
<b>Plant, vehicles and systems</b>		
Within one year	29	26
Later than one year and less than five years	74	48
After five years	8	12
	<b>111</b>	<b>86</b>

### b) Other commitments

	2008 US\$m	2007 US\$m
<b>Capital commitments not provided in the financial information:</b>		
Contracts placed for future expenditure for property, plant and equipment	667	590
Contracts placed for future expenditure for intangible assets	22	59
<b>Other commitments not provided in the financial information:</b>		
Contracts placed for future expenditure	685	576

Contracts placed for future expenditure primarily relate to Miller's various long-term non-cancellable advertising and promotion commitments which, at 31 March 2008, are principally due between 2008 and 2013.

In addition, Miller has various long-term supply contracts with unrelated third parties to purchase certain materials used in its production and packaging process. The terms of these contracts generally stipulate that Miller must use the designated suppliers for expected minimum percentages of its annual purchase requirements of the specified materials. However, Miller is not obliged to make any purchases unless it requires supplies of such materials. Supply contracts outstanding at 31 March 2008 for malt, bottles, labels and cans expire between 2008 and 2015.

### c) Contingent liabilities and guarantees

	2008 US\$m	2007 US\$m
Guarantees to third parties provided in respect of borrowings of certain subsidiary undertakings	3,012	1,970
US\$600 million 4.25% Guaranteed Notes 2008*	600	600
US\$1,100 million 5.50% Guaranteed Notes 2013*	1,100	1,100
Rand 1,600 million 9.935% Ordinary Bonds due 2012*	196	–
Rand 2,400 million Commercial Paper programme*	294	–
COP 592 billion bank facility due 2009*	325	270
COP 486 billion bank facility due 2008*	267	–
US\$230 million bank facility due 2009*	230	–
Guarantees to third parties provided in respect of trade loans (i)	19	–
Staff loans and pension guarantees (ii)	22	24
Jointly held contingent liability (iii)	150	150
Share of associate's contingent liabilities incurred jointly with other investors	–	4
Litigation (iv)	11	4
	<b>3,214</b>	<b>2,152</b>

\* These represent the maximum amounts guaranteed by SABMiller plc, the company. The aggregate actual amounts outstanding and disclosed as part of borrowings (note 21) is US\$2,712 million as at 31 March 2008 (2007: US\$1,870 million).

## 29. Commitments, contingencies and guarantees continued

### (i) Trade loans

Trade loans primarily relate to guarantees given by Royal Grolsch N.V. to banks in relation to loans taken out by trade customers.

### (ii) Staff loans and pension guarantees

Staff loans and pension guarantees above primarily relate to the present value of Miller pension guarantees. Miller and Pabst Brewing Company (Pabst) are responsible for the Milwaukee Brewery Workers' Pension Plan. In connection with Pabst's closure of its Milwaukee, Wisconsin brewery and its contract brewing agreement with Miller, Pabst entered into a withdrawal liability settlement agreement which requires annual payments by Pabst to this pension plan of approximately US\$4 million until 2013. In the event that Pabst is unable to fulfil its pension plan obligation, the plan would have recourse to all the assets of Pabst and its parent company. If such assets do not satisfy Pabst's remaining pension obligation, Miller would be required to fund the remaining Pabst withdrawal liability until 2013.

### (iii) Jointly held contingent liability

Bavaria S.A. is jointly and severally liable with Valorem S.A. (part of Santo Domingo Group (SDG)) for the pension obligations of Avianca S.A. (formerly part of the SDG group but which was sold by SDG in 2004). The maximum obligation is for \$150 million which corresponds to the initial actuarial value of the pensions obligation. At 31 March 2008 no claim has been made against the group in respect of this obligation.

### (iv) 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.

The company, with Miller Brewing Company, in common with other participants in the beer and spirits industries in the USA, was a defendant in putative class action lawsuits alleging that the defendants have intentionally targeted the marketing of certain alcoholic beverage brands to persons under the legal drinking age. The plaintiffs alleged several causes of action, including violations of state consumer protection laws, unjust enrichment, negligence, public nuisance, and civil conspiracy. The complaints sought, on behalf of a putative class of parents and guardians, an injunction to stop certain unspecified marketing practices and unspecified money damages (including civil fines, punitive damages, and disgorgement of profits). None of the lawsuits progressed past the pleading stage.

Of the nine lawsuits filed, three have been withdrawn and in the remaining six the defendants' motions to dismiss the cases have been upheld. In five of these cases, the decisions to dismiss were upheld on appeal. In the sixth, plaintiffs dismissed their appeal.

### 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.

## 30. 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. 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, Miller and Latin America. Miller provides post-retirement benefits, as well as retiree medical and life insurance benefits, which are unfunded, to eligible employees and their dependants. Salaried non-union employees hired after 31 August 2003 are not eligible for company subsidised retiree medical benefits.

The total pension and post-retirement medical benefit costs recognised in the income statement, and related liabilities on the balance sheet are as follows:

	2008 US\$m	2007 US\$m
Defined contribution scheme costs	94	79
Defined benefit pension plan costs	26	41
Post-retirement medical and other benefit costs	47	54
Accruals for defined contribution plans (balance sheet)	5	7
Provisions for defined benefit pension plans (balance sheet)	396	363
Provisions for other post-retirement benefits (balance sheet)	621	636

### 30. Pensions and post-retirement benefits continued

The group operates various defined contribution and defined benefit schemes. Details of the main defined benefit schemes is provided below:

#### Miller pension schemes

The Miller Pension Plan is a single qualified defined benefit scheme covering both salaried non-union and union employees while maintaining separate benefit structures across the various employee groups. Substantially all salaried non-union employees hired prior to 1 January 2005 are covered by the plan which provides benefits for this employee group based on final average pay and years of service. Benefit accruals for salaried non-union employees ceased as of 31 December 2007. Benefit accruals for union employees are the subject of collective bargaining and are based on a flat rate per year of service. In addition, through negotiations, benefit accruals have been frozen for some of the union employee groups covered by the plan. As of 31 March 2008, the plan had a deficit of US\$112 million given plan assets with a fair market value of US\$887 million. This represents a funding level of 89%.

Miller has two qualified defined contribution schemes that cover salaried non-union and union employees separately. The plan covering salaried non-union employees provides a basic company contribution equal to 5% of an employee's pay along with a one-for-one company matching contribution up to 4% of an employee's own contributions. For the plan covering union employees, the company makes contributions for some of the union groups either through company matching contributions based on the employee's own contributions or a flat hourly contribution rate. In addition, substantially all salaried employees are covered by a survivor income benefit plan and a long-term disability plan.

The company provides non-qualified unfunded defined benefit and defined contribution plans for certain employees whose benefits under the qualified plans are limited by regulation. As of 31 March 2008 the liabilities for these plans are US\$13 million and US\$1 million respectively.

The most recent actuarial valuation of Miller's post-retirement plan was carried out by independent professionally qualified actuaries at 1 January 2007 using the projected unit credit method.

Certain of Miller's hourly employees participate in the Milwaukee Brewery Workers' Pension Plan. As part of a withdrawal settlement, Pabst, which had participated in the plan prior to 1997, agreed to make annual contributions of approximately US\$4 million to this plan until 2013. The plan's funded status net of the present value of Pabst's withdrawal payments at 31 March 2008 is set out below.

	US\$m
Market value of assets	42
Present value of accrued obligations, net of Pabst withdrawal liabilities	(79)
Deficit	(37)

#### South Africa pension schemes

The group operates a number of pension schemes throughout South Africa. Details of the major scheme 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 latest valuation of these funds was carried out at 31 March 2008 by an independent actuary using the projected unit credit method. The liabilities were based on the transfer values of the active members and surplus allocated to the members, former members and pensioners as at 31 March 2008.

From 1 July 2005 the funds were closed, all active members were transferred to either the ABI Provident Fund or the SAB Staff Provident Fund. The funds will be deregistered and liquidated once all assets and liabilities have been settled.

The surplus apportionment scheme for the ABI Pension Fund has been approved by the Financial Services Board. Approval for the surplus apportionment scheme for the Suncrush Pension Fund and Suncrush Retirement Fund is still outstanding. With regards to the apportionment of the ABI Pension Fund surplus, in the current year the employer received their share of the surplus. The surplus due to the members, former members and pensioners is yet to be distributed.

#### Bavaria 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 31 December 2006 using the projected unit credit method. All salaried employees are now covered by the Social Security provisions. The principal economic assumptions used in the preparation of the pension valuations are set out below and take into consideration changes in the Colombian economy.

#### Grolsch pension scheme

The Grolsch pension plan, named Stichting Pensioenfond 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 Royal Grolsch pension fund was carried out at 31 March 2008 by an independent actuary using the projected unit credit method. The principal assumptions used in the valuation are listed below. The breakdown of the plan assets, based on the data as at 31 January 2008, is approximately 57% in bonds, 37% in equity and 6% in real estate.

### 30. Pensions and post-retirement benefits continued

Principal actuarial assumptions at 31 March (expressed as weighted averages)

	Defined benefit pension plans					Medical and other post-retirement benefits		
	Miller %	South Africa %	Latin America %	Grosch %	Other %	Miller %	South Africa %	Other %
<b>At 31 March 2008</b>								
Discount rate	6.5	n/a	10.3	4.8	4.8	6.5	9.0	10.3
Salary inflation	3.5	n/a	5.7	2.5	3.0	–	–	–
Pension inflation	4.0	n/a	5.7	2.5	3.0	–	–	–
Healthcare cost inflation	–	–	–	–	–	9.1	7.3	6.7
Mortality rate assumptions:								
– Retirement age: Males	61	n/a	55	65	n/a	62	63	55
Females	61	n/a	50	65	n/a	62	63	50
– Life expectations on retirement age:								
Retiring today: Males	21	n/a	20	16	n/a	20	16	20
Females	24	n/a	25	20	n/a	23	20	25
Retiring in 20 years: Males	21	n/a	n/a	18	n/a	20	16	n/a
Females	24	n/a	n/a	20	n/a	23	20	n/a

	Defined benefit pension plans				Medical and other post-retirement benefits			
	Miller %	South Africa %	Latin America %	Other %	Miller %	South Africa %	Other %	
<b>At 31 March 2007:</b>								
Discount rate		5.9	7.8	8.7	4.8	5.9	7.5	8.7
Salary inflation		3.5	5.8	4.3	3.0	–	–	–
Pension inflation		4.0	4.5	4.3	3.0	–	–	–
Healthcare cost inflation		–	–	–	–	9.6	5.8	5.3
Mortality rate assumptions:								
– Retirement age: Males		61	63	55	n/a	62	63	55
Females		61	63	50	n/a	62	63	50
– Life expectations on retirement age:								
Retiring today: Males		21	16	20	n/a	20	16	20
Females		24	20	25	n/a	23	20	25
Retiring in 20 years: Males		21	n/a	n/a	n/a	20	16	n/a
Females		24	n/a	n/a	n/a	23	20	n/a

**30. Pensions and post-retirement benefits** continued

The present value of defined benefit plan and post-employment medical benefit liabilities are as follows:

	Defined benefit pension plans						Medical and other post-retirement benefits			
	Miller US\$m	South Africa US\$m	Latin America US\$m	Grolsch US\$m	Other US\$m	Total US\$m	Miller US\$m	South Africa US\$m	Other US\$m	Total US\$m
<b>Present value of scheme liabilities at 1 April 2006</b>	1,060	51	153	–	29	1,293	548	49	49	646
– Portion of defined benefit obligation that is unfunded	18	–	144	–	4	166	548	47	48	643
– Portion of defined benefit obligation that is partly or wholly funded	1,042	51	9	–	25	1,127	–	2	1	3
Benefits paid	(54)	–	(19)	–	(6)	(79)	(25)	–	(4)	(29)
Current service costs	28	–	9	–	4	41	12	1	–	13
Past service costs	–	47	–	–	–	47	–	–	–	–
Interest costs	61	4	10	–	1	76	33	3	6	42
Actuarial losses/(gains)	56	10	5	–	–	71	(30)	3	(1)	(28)
Settlements	–	(25)	–	–	–	(25)	(1)	–	–	(1)
Currency translations	–	(9)	9	–	4	4	–	(10)	3	(7)
<b>Present value of scheme liabilities at 31 March 2007</b>	1,151	78	167	–	32	1,428	537	46	53	636
– Portion of defined benefit obligation that is unfunded	18	–	167	–	3	188	537	45	51	633
– Portion of defined benefit obligation that is partly or wholly funded	1,133	78	–	–	29	1,240	–	1	2	3
Benefits paid	(57)	–	(38)	–	(5)	(100)	(23)	–	(4)	(27)
Contributions paid by plan participants	–	–	–	–	–	–	–	(2)	–	(2)
Current service cost	25	–	4	2	2	33	11	2	(2)	11
Interest costs	67	4	12	–	2	85	31	4	5	40
Actuarial losses/(gains)	(80)	5	(2)	–	(1)	(78)	(33)	–	(6)	(39)
Settlements	(5)	(26)	–	–	(2)	(33)	(4)	–	–	(4)
Transfers from/(to) other provisions	–	–	26	–	(1)	25	–	(3)	–	(3)
Acquisitions	–	–	–	299	–	299	–	–	5	5
Currency translations	–	(6)	34	24	6	58	–	(5)	9	4
<b>Present value of scheme liabilities at 31 March 2008</b>	1,101	55	203	325	33	1,717	519	42	60	621
– Portion of defined benefit obligation that is unfunded	13	–	200	–	24	237	519	42	60	621
– Portion of defined benefit obligation that is partly or wholly funded	1,088	55	3	325	9	1,480	–	–	–	–



### 30. 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			
	Miller US\$m	South Africa US\$m	Grosch US\$m	Total US\$m
<b>Plan asset at 1 April 2006</b>	914	124	–	1,038
Expected return on plan assets	72	8	–	80
Benefits paid	(54)	–	–	(54)
Contributions paid by employer	27	–	–	27
Actuarial gains	28	37	–	65
Settlements	–	(25)	–	(25)
Currency translations	–	(19)	–	(19)
<b>Plan asset at 31 March 2007</b>	987	125	–	1,112
Expected return on plan assets	80	8	1	89
Benefits paid	(57)	–	–	(57)
Contributions paid by employer	23	–	1	24
Actuarial losses	(91)	(16)	–	(107)
Settlements	–	(26)	–	(26)
Acquisitions	–	–	297	297
Currency translations	–	(9)	25	16
<b>Plan asset at 31 March 2008</b>	<b>942</b>	<b>82</b>	<b>324</b>	<b>1,348</b>

The fair value of assets in pension schemes and the expected rates of return were:

	Miller		South Africa		Latin America		Grosch		Other		Total US\$m
	Long-term rate of return		Long-term rate of return		Long-term rate of return		Long-term rate of return		Long-term rate of return		
	US\$m		US\$m		US\$m		US\$m		US\$m		
<b>At 31 March 2008</b>											
Equities	455	9.0	7	12.0	–	–	120	7.3	–	–	582
Bonds	293	6.1	–	9.0	–	–	186	4.8	–	–	479
Cash	1	4.8	72	7.0	–	–	–	–	–	–	73
International equities	138	9.0	–	12.0	–	–	–	–	–	–	138
Property and other	55	6.9	3	12.0	–	–	18	7.3	–	–	76
Total fair value of assets	942		82		–		324		–		1,348
Present value of scheme liabilities	(1,101)		(55)		(203)		(325)		(33)		(1,717)
(Deficit)/surplus in the scheme	(159)		27		(203)		(1)		(33)		(369)
Unrecognised pension asset due to limit	–		(27)		–		–		–		(27)
Pension liability recognised	(159)		–		(203)		(1)		(33)		(396)
<b>At 31 March 2007</b>											
Equities	484	9.0	66	12.0	–	–	–	–	–	–	550
Bonds	301	6.5	37	9.0	–	–	–	–	–	–	338
Cash	–	3.0	21	7.0	–	–	–	–	–	–	21
International equities	153	9.0	–	10.8	–	–	–	–	–	–	153
Property and other	49	7.0	1	10.8	–	–	–	–	–	–	50
Total fair value of assets	987		125		–		–		–		1,112
Present value of scheme liabilities	(1,151)		(78)		(167)		–		(32)		(1,428)
(Deficit)/surplus in the scheme	(164)		47		(167)		–		(32)		(316)
Unrecognised pension asset due to limit	–		(47)		–		–		–		(47)
Pension liability recognised	(164)		–		(167)		–		(32)		(363)

The expected long-term rate of return on Miller fund assets is 8%. This is determined by considering the weighted expected return of each asset class within the fund, based on input from both Russell Investments, the Miller Pension Plan's investment manager and Hewitt Associates, the Plan's actuary. All funds are actively managed and returns are based on both the expected performance of the asset class and the performance of fund managers.

# Notes to the consolidated financial statements

continued

## 30. 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				
	Miller US\$m	South Africa US\$m	Latin America US\$m	Grosch US\$m	Other US\$m	Total US\$m	Miller US\$m	South Africa US\$m	Other US\$m	Total US\$m
<b>At 31 March 2008</b>										
Present value of scheme liabilities	(1,101)	(55)	(203)	(325)	(33)	(1,717)	(519)	(42)	(60)	(621)
Fair value of plan assets	942	82	-	324	-	1,348	-	-	-	-
	(159)	27	(203)	(1)	(33)	(369)	(519)	(42)	(60)	(621)
Unrecognised assets due to limit	-	(27)	-	-	-	(27)	-	-	-	-
Net liability recognised on balance sheet	(159)	-	(203)	(1)	(33)	(396)	(519)	(42)	(60)	(621)
<b>At 31 March 2007</b>										
Present value of scheme liabilities	(1,151)	(78)	(167)	-	(32)	(1,428)	(537)	(46)	(53)	(636)
Fair value of plan assets	987	125	-	-	-	1,112	-	-	-	-
	(164)	47	(167)	-	(32)	(316)	(537)	(46)	(53)	(636)
Unrecognised assets due to limit	-	(47)	-	-	-	(47)	-	-	-	-
Net liability recognised on balance sheet	(164)	-	(167)	-	(32)	(363)	(537)	(46)	(53)	(636)

In respect of South Africa, the pension asset recognised must be 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 performed. In addition, the net income statement gain of US\$4 million (2007: charge of US\$43 million) and net actuarial loss taken directly to equity of US\$21 million (2007: gain of US\$27 million) are not recognised in the financial statements.

The amounts recognised in net operating expenses in the income statement are as follows:

	Defined benefit pension plans					Medical and other post-retirement benefits				
	Miller US\$m	Latin America US\$m	Grosch US\$m	Other US\$m	Total US\$m	Miller US\$m	South Africa US\$m	Other US\$m	Total US\$m	
<b>At 31 March 2008</b>										
Current service costs	(25)	(4)	(2)	(2)	(33)	(11)	(2)	2	(11)	
Interest costs	(67)	(12)	-	(2)	(81)	(31)	(4)	(5)	(40)	
Expected return on plan assets	80	-	1	-	81	-	-	-	-	
Settlements and curtailments	5	-	-	2	7	4	-	-	4	
	(7)	(16)	(1)	(2)	(26)	(38)	(6)	(3)	(47)	
<b>At 31 March 2007</b>										
Current service costs	(28)	(9)	-	(4)	(41)	(12)	(1)	-	(13)	
Interest costs	(61)	(10)	-	(1)	(72)	(33)	(3)	(6)	(42)	
Expected return on plan assets	72	-	-	-	72	-	-	-	-	
Settlements and curtailments	-	-	-	-	-	1	-	-	1	
	(17)	(19)	-	(5)	(41)	(44)	(4)	(6)	(54)	

### 30. Pensions and post-retirement benefits continued

The amounts recognised in the statement of recognised income and expense are as follows:

	Defined benefit pension plans					Medical and other post-retirement benefits			
	Miller US\$m	Latin America US\$m	Grosch US\$m	Other US\$m	Total US\$m	Miller US\$m	South Africa US\$m	Other US\$m	Total US\$m
<b>At 31 March 2008</b>									
Actual (loss)/return on plan assets	(10)	-	1	-	(9)	-	-	-	-
Less: expected return on plan assets	(80)	-	(1)	-	(81)	-	-	-	-
Experience gains/(losses) arising on									
scheme assets	(90)	-	-	-	(90)	-	-	-	-
scheme liabilities	3	-	-	-	3	(1)	-	-	(1)
Changes in actuarial assumptions	76	3	-	1	80	34	-	6	40
Other actuarial gains/(losses)	-	(1)	-	-	(1)	-	-	-	-
Actuarial (losses)/gains recognised	(11)	2	-	1	(8)	33	-	6	39
<b>At 31 March 2007</b>									
Actual return on plan assets	100	-	-	-	100	-	-	-	-
Less: expected return on plan assets	(72)	-	-	-	(72)	-	-	-	-
Experience gains/(losses) arising on									
scheme assets	28	-	-	-	28	-	-	-	-
scheme liabilities	(62)	-	-	-	(62)	22	-	-	22
Changes in actuarial assumptions	6	(5)	-	-	1	8	(3)	1	6
Actuarial (losses)/gains recognised	(28)	(5)	-	-	(33)	30	(3)	1	28

The cumulative amounts recognised in equity are as follows:

	2008 US\$m	2007 US\$m
At 31 March:	(173)	(168)
Net actuarial gains/(losses) recognised in the year	31	(5)
<b>Cumulative actuarial losses recognised</b>	<b>(142)</b>	<b>(173)</b>

#### History of actuarial gains and losses

	2008 US\$m	2007 US\$m	2006 US\$m	2005 US\$m
Experience gains/(losses) of plan assets	(90)	28	31	(15)
Percentage of plan assets	7%	3%	3%	2%
Experience (losses)/gains of scheme liabilities	2	(62)	4	(21)
Percentage of scheme liabilities	0%	3%	0%	1%
Fair value of plan assets	1,348	1,112	1,038	959
Present value of scheme liabilities	(2,338)	(2,064)	(1,939)	(1,682)
Deficit in the schemes	(990)	(952)	(901)	(723)
Unrecognised assets due to limit	(27)	(47)	(73)	(68)
Net liability recognised in balance sheet	(1,017)	(999)	(974)	(791)

Contributions expected to be paid into the group's major defined benefit schemes during the annual period after 31 March 2008 are US\$90 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:

	2008	
	Increase US\$m	Decrease US\$m
Current service costs	3	(2)
Interest costs	10	(8)
Accumulated post-employment medical benefit costs	119	(98)

### 31. Related party transactions

#### a) Parties with significant influence over the group: Altria Group, Inc. (Altria) and Santo Domingo Group (SDG)

The Miller Brewing Company has received various services from Altria, which holds a 28.6% shareholding in SABMiller plc, including insurance claims processing, leasehold accommodation and other administrative services, with an aggregate cost of US\$0.1 million (2007: US\$0.4 million), of which US\$nil was outstanding at 31 March 2008 (2007: US\$nil).

The Santo Domingo Group (SDG) is a related party of the group by virtue of its 15% shareholding in SABMiller plc. In the current year provisions for impairment of US\$1.3 million (2007: US\$nil) were recorded against receivables owing from companies controlled by the SDG. The group has also made a donation of US\$8 million to the Fundacion Mario Santo Domingo (transactions with the SDG in 2007 totalled US\$0.1 million). At 31 March 2008, US\$nil (2007: US\$0.6 million) was owing to the SDG.

Bavaria S.A. is jointly and severally liable with Valorem S.A. (part of the SDG) for the pension obligations of Avianca S.A. (a former part of the SDG which was sold by the SDG in 2004). The maximum obligation is for US\$150 million which corresponds to the initial actuarial value of the obligation.

#### b) Associates

	2008 US\$m	2007 US\$m
Purchases from associates <sup>(1)</sup>	(214)	(213)
Sales to associates <sup>(2)</sup>	22	2
Dividends received <sup>(3)</sup>	91	102
Management and guarantee fees received <sup>(4)</sup>	–	3

(1) The group purchased canned Coca-Cola products for resale from Coca-Cola Canners of Southern Africa (Pty) Limited (Coca-Cola) and purchased inventory from Metalforma S.A., Industria Nacional de Plasticos S.A. and Envases del Istmo S.A. in Panama.

(2) The group made sales of beer to Tsogo Sun Holdings (Pty) Limited (Tsogo Sun) and Madadeni Beer Wholesaler (Pty) Ltd..

(3) The group received dividends from Société des Brasseries et Glacières Internationales and Brasseries Internationales Holding Ltd (Castel) of US\$27 million (2007: US\$22 million), Kenya Breweries Limited (Kenya) US\$15 million (2007: US\$5 million), Coca-Cola US\$4 million (2007: US\$5 million), Distell Group Limited of US\$17 million (2007: US\$14 million) and Tsogo Sun US\$28 million (2007: US\$56 million).

(4) The group received guarantee fees from Tsogo Sun.

	2008 US\$m	2007 US\$m
At 31 March:		
Amounts owed by associates <sup>(1)</sup>	–	1
Amounts owed to associates <sup>(2)</sup>	(20)	(31)

(1) Amounts owed by Delta and Kenya.

(2) Amounts owed by SAB Ltd to Coca-Cola Canners (Pty) Ltd.

#### 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 2008 there are 24 members of key management. Key management compensation is provided in note 6c.

### 32. Post balance sheet events

In May 2008 the company announced that it had agreed to acquire a 99.84% interest in the Ukrainian brewer CJSC Sarmat, acquiring gross assets of approximately US\$130 million. The transaction is subject to approval by the Ukrainian competition authorities and other customary pre-closing conditions. Also in May 2008, the group entered into an additional US\$1,000 million committed facility, maturing in June 2009 and a new three-year committed facility totalling US\$600 million.

### 33. Principal subsidiary and associated undertakings

The principal subsidiary undertakings of the group as at 31 March were as follows:

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital	
			2008	2007
<b>Central administration</b>				
SABMiller Holdings Limited	United Kingdom	Holding company	100%	100%
SABMiller Finance BV <sup>(4)</sup>	Netherlands	Holding company	100%	100%
SABSA Holdings (Pty) Limited	South Africa	Holding company	100%	100%
SABMiller Africa and Asia BV <sup>(4)</sup>	Netherlands	Holding company	100%	100%
SABMiller International BV	Netherlands	Trademark owner	100%	100%
SABMiller Latin America Ltd	United Kingdom	Holding company	100%	100%
<b>North American operations</b>				
Miller Brewing Company	USA	Brewing	100%	100%
Miller Brewing West Limited Partnership	USA	Brewing	100%	100%
Miller Brewing East Inc	USA	Brewing	100%	100%
Miller Products Company	USA	Intellectual Property/ Marketing	100%	100%
MBC1 LLC	USA	Brewing	100%	100%
MBC2 LLC	USA	Brewing	100%	100%
<b>Latin American operations</b>				
Bavaria S.A.	Colombia	Brewing/Soft drinks	99%	99%
Cervecería Leona S.A. <sup>(5)</sup>	Colombia	Brewing	–	99%
Cervecería Unión S.A.	Colombia	Brewing	98%	98%
Union de Cervecerías Peruanas Backus y Johnston S.A.A. <sup>(2)(3)</sup>	Peru	Brewing	93%	93%
Cervecería San Juan S.A. <sup>(2)(3)</sup>	Peru	Brewing/Soft drinks	86%	86%
Compañía Cervecera del Sur del Peru S.A. <sup>(6)</sup>	Peru	Brewing	–	90%
Cervecería Andina S.A. <sup>(7)</sup>	Ecuador	Brewing	–	86%
Cervecería Nacional CN S.A. <sup>(10)</sup>	Ecuador	Brewing	95%	97%
Latin Development Corporation	Panama	Holding company	99%	100%
Cervecería Nacional S.A. <sup>(2)</sup>	Panama	Brewing	97%	90%
Bevco Ltd	British Virgin Islands	Holding company	100%	100%
Corporación Cervecera Hondureña S.A. <sup>(8)</sup>	Honduras	Distribution company	–	98%
Cervecería Hondureña, S.A.	Honduras	Brewing/Soft drinks	99%	98%
Industrias La Constancia, S.A.	El Salvador	Brewing/Soft drinks	100%	100%
<b>European operations</b>				
SABMiller Holdings Europe Limited	United Kingdom	Holding company	100%	100%
S.p.A. Birra Peroni	Italy	Brewing	100%	100%
Ursus Breweries S.A.	Romania	Brewing	99%	99%
Compañía Cervecera de Canarias SA	Spain	Brewing	51%	51%
Dreher Sörgyárak Rt	Hungary	Brewing	100%	100%
SABMiller RUS LLC <sup>(9)</sup>	Russia	Brewing	100%	100%
Kompania Piwowarska S.A. <sup>(1)</sup>	Poland	Brewing	72%	72%
Plzeňský Prazdroj, a.s.	Czech Republic	Brewing	100%	100%
Miller Brands (UK) Ltd	United Kingdom	Sales & distribution	100%	100%
Pivovary Topvar a.s.	Slovakia	Brewing	100%	100%
Grolsche Bierbrouwerij Nederland N.V.	Netherlands	Brewing	100%	–

# Notes to the consolidated financial statements

continued

## 33. Principal subsidiary and associated undertakings continued

Name	Country of incorporation	Principal activity	Effective interest in ordinary share capital	
			2008	2007
<b>African operations</b>				
SABMiller Africa BV	Netherlands	Holding company	62%	62%
SABMiller Botswana BV	Netherlands	Holding company	62%	62%
Accra Brewery Ltd <sup>(2)</sup>	Ghana	Brewing	43%	43%
Botswana Breweries Ltd	Botswana	Sorghum brewing	31%	31%
Cervejas de Moçambique SARL <sup>(2)</sup>	Mozambique	Brewing	49%	49%
Coca-Cola Bottling Luanda Ltd	Angola	Soft drinks	28%	28%
Coca-Cola Bottling Sul de Angola SARL	Angola	Soft drinks	37%	37%
Chibuku Products Ltd	Malawi	Sorghum brewing	31%	31%
Kgalagadi Breweries Ltd	Botswana	Brewing/Soft drinks	31%	31%
Lesotho Brewing Company (Pty) Ltd	Lesotho	Brewing/Soft drinks	24%	24%
National Breweries plc <sup>(2)</sup>	Zambia	Sorghum brewing	43%	43%
Nile Breweries Ltd	Uganda	Brewing	60%	60%
Swaziland Brewers Ltd	Swaziland	Brewing	37%	37%
Tanzania Breweries Ltd <sup>(2)</sup>	Tanzania	Brewing	33%	33%
Zambian Breweries Plc <sup>(2)</sup>	Zambia	Brewing/Soft drinks	54%	54%
<b>Asian operations</b>				
SABMiller Asia BV	Netherlands	Holding company	100%	100%
SABMiller (A&A 2) Ltd	United Kingdom	Holding company	100%	100%
SABMiller India Ltd	India	Holding company	100%	100%
Skol Breweries India	India	Brewing	99%	99%
Fosters India Private Ltd	India	Brewing	100%	100%
<b>South African operations</b>				
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%
Southern Associated Maltsters (Pty) Ltd	South Africa	Maltsters	100%	100%
Appletiser South Africa (Pty) Ltd	South Africa	Fruit juices	100%	100%

### Notes:

- (1) SABMiller Poland BV, a wholly-owned subsidiary of SABMiller Europe, holds 71.9% of Kompania Piwowarska SA at 31 March 2008.
- (2) Listed in country of incorporation.
- (3) This is based on the effective economic interest.
- (4) Operates in the UK.
- (5) Merged into Bavaria S.A.
- (6) Merged into Backus.
- (7) Merged into Compañía de Cervezas Nacionales C.A.
- (8) Merged into Cervecería Hondureña, S.A.
- (9) Previously Kaluga Brewing Company – name changed during the year.
- (10) Previously Compañía de Cervezas Nacionales C.A. – name changed during the year.

The group comprises a large number of companies. The list above only 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 the companies noted in (4) above, the principal country in which each of the above subsidiary undertakings operates is the same as the country in which each is incorporated.

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 its African operations was diluted as a result of the disposal of a 38% interest in SABMiller Africa BV on 1 April 2001, in exchange for a 20% interest in the Castel group's African beverage interests. The operations continue to be consolidated due to SABMiller Africa BV's majority shareholdings, and ability to control the operations.

### Botswana Breweries (Pty) Ltd and Kgalagadi Breweries (Pty) Ltd

SABMiller Africa 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 Africa's shares entitle the holder to twice the voting rights of those shares held by Sechaba Brewery Holdings Ltd. SABMiller Africa's 10.1% indirect interest (2007: 10.1%) is held via a 16.8% interest (2007: 16.8%) in Sechaba Brewery Holdings Ltd.

### Lesotho Brewing Company (Pty) Ltd (Lesotho Brewing)

SABMiller Africa holds a 39% interest in Lesotho Brewing with the remaining interest held by a government authority, the Lesotho National Development Corporation (51%), and the Commonwealth Development Corporation (10%). Lesotho Brewing 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.

### 33. Principal subsidiary and associated undertakings continued

#### Coca-Cola Bottling Luanda SARL (CCBL)

SABMiller Africa 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.

#### Associated undertakings

The principal associated undertakings of the group as at 31 March are set out below. Where the group's interest in an associated undertaking 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	Principal activity	Effective interest in ordinary share capital	
			2008	2007
<b>European operations</b>				
Grolsch (UK) Ltd	United Kingdom	Brewing	50%	–
<b>African operations</b>				
Delta Corporation Ltd <sup>(1)(2)</sup>	Zimbabwe	Brewing/Soft drinks	22%	22%
Kenya Breweries Ltd <sup>(2)(5)</sup>	Kenya	Brewing	12%	12%
Société des Brasseries et Glacières Internationales <sup>(6)</sup>	France	Holding company for subsidiaries principally located in Africa	20%	20%
Brasseries Internationales Holding Ltd <sup>(6)</sup>	Gibraltar	Holding company for subsidiaries principally located in Africa	20%	20%
Marocaine d'Investissements et de Services <sup>(3)(6)</sup>	Morocco	Brewing	40%	40%
Société de Boissons de l'Ouest, Algerien <sup>(4)(6)</sup>	Algeria	Soft drinks	40%	40%
Skikda Bottling Company <sup>(4)(6)</sup>	Algeria	Soft drinks	40%	40%
Société des Nouvelles Brasseries <sup>(4)(6)</sup>	Algeria	Brewing	40%	40%
Algerienne de Bavaroise <sup>(4)(6)</sup>	Algeria	Brewing	25%	25%
Empressa Cervejas De N'Gola SARL	Angola	Brewing	28%	28%
<b>Asian operations</b>				
China Resources Snow Breweries Ltd <sup>(6)</sup>	British Virgin Islands	Holding company for brewing subsidiaries located in China	49%	49%
Pacific Beverages Pty Ltd <sup>(6)</sup>	Australia	Sales and distribution	50%	50%
Vietnam Dairy Products Joint Stock Company (Vinamilk)	Vietnam	Brewing	50%	50%
<b>South African Operations</b>				
Coca-Cola Canners of Southern Africa (Pty) Ltd <sup>(6)</sup>	South Africa	Canning of beverages	32%	32%
Distell Group Ltd <sup>(1)(5)</sup>	South Africa	Wines and spirits	29%	29%
Madadeni Beer Wholesaler (Pty) Ltd <sup>(7)</sup>	South Africa	Distribution	35%	70%
<b>Hotels and Gaming</b>				
Tsogo Sun Holdings (Pty) Ltd	South Africa	Holding company for Hotels and Gaming operations	49%	49%

#### Notes:

- (1) Listed in country of incorporation.
- (2) Interests in these companies are held by SABMiller Africa BV which is held 62% by SABMiller Africa and Asia BV.
- (3) 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%, the other 60% being held by the Castel group's African beverage interests.
- (4) 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.
- (5) These entities report their financial results for each 12-month period ending 30 June.
- (6) These entities report their financial results for each 12-month period ending 31 December.
- (7) Formerly a subsidiary.

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 group) 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

on the company financial statements

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the parent financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The parent company 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 that the consolidated financial statements comply with applicable UK Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985. 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 1985 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. The directors, having made appropriate enquiries, confirm 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.

The directors' responsibilities for publishing the company accounts on the internet are stated on page 60.



# Independent auditors' report

to the members of SABMiller plc

We have audited the parent company financial statements of SABMiller plc for the year ended 31 March 2008 which comprise the balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of SABMiller plc for the year ended 31 March 2008.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review and the Ordinary Shareholding Analyses that is cross referred from the principal activities and business review and the substantial shareholdings sections of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, as described in the contents, and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

## PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London

2 June 2008

Overview

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# Balance sheet of SABMiller plc

at 31 March

	Notes	2008 US\$m	2007 US\$m
<b>Fixed assets</b>			
Tangible fixed assets	2	52	37
Investment in subsidiary undertakings	3	13,429	12,818
Derivative financial instruments	8	185	34
		<b>13,666</b>	12,889
<b>Current assets</b>			
Debtors – amounts falling due within one year	4	7,658	1,777
Derivative financial instruments	8	18	5
Short-term deposits	5	301	301
Cash at bank and in hand		–	26
		<b>7,977</b>	2,109
<b>Creditors – amounts falling due within one year</b>	6	<b>(1,144)</b>	(1,287)
<b>Net current assets</b>		<b>6,833</b>	822
<b>Total assets less current liabilities</b>		<b>20,499</b>	13,711
<b>Creditors – amounts falling due after more than one year</b>	7	<b>(7,817)</b>	(2,556)
<b>Net assets</b>		<b>12,682</b>	11,155
<b>Capital and reserves</b>			
Share capital		158	158
Share premium		6,176	6,137
Merger relief reserve		3,395	3,395
Hedge reserve		(1)	–
Profit and loss reserve		2,954	1,465
<b>Total shareholders' funds</b>	9	<b>12,682</b>	11,155

The balance sheet was approved by the Board of Directors on 2 June 2008 and were signed on its behalf by:

**Graham Mackay**                      **Malcolm Wyman**  
Chief Executive Officer              Chief Financial Officer

The notes on pages 137 to 145 form part of the financial statements.

Advantage has been taken of the provisions of section 230(3) of the Companies Act, 1985 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\$2,179 million (2007: US\$786 million).

## 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 financial instruments, in accordance with the Companies Act 1985 and with accounting standards applicable in the United Kingdom (UK GAAP). A summary of the significant company accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The company has not presented a cash flow statement or provided details of related party transactions as permitted under FRS 1 (revised) (Cash Flow Statements) and FRS 8 (Related Party Disclosures) respectively.

### 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 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 2007	7.06	1.89	7.29	1.97
Year ended 31 March 2008	7.13	2.01	8.15	1.98

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 under 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 or valuation, less the estimated residual value of each asset, evenly over its expected useful life as follows:

Office equipment and software	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 sale of an asset is the difference between the disposal proceeds and the net book value, including any revaluation, 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 the lowest 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 transactions costs where applicable). 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.

## 1. Accounting policies continued

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, the relevant financial assets and liabilities are offset. Interest costs are charged against income 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.

### (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. 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 included in trade and other receivables in the balance sheet. Investments in this category 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.

### (ii) Trade debtors

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the terms of the receivables. The impairment is recognised in the income statement.

### (iii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits repayable on demand, other short-term highly liquid investments with original maturities of three months or less. Term deposits with maturities of more than three months are shown as term deposits on the balance sheet. Bank overdrafts are shown within creditors – amounts falling due within one year.

### (iv) 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 would not be 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 company 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 k for the company's accounting policy on hedge accounting.

### (v) Trade creditors

Trade creditors are initially recognised at fair value and subsequently measured at amortised cost.

Trade creditors 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.

### (vi) 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.

### (vii) 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 average 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.

## 1. Accounting policies continued

### 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 option plans (with and without non-market performance conditions attached).

In accordance with FRS 20, 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. This expense is offset by a corresponding adjustment 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.

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.

The issuance by the company to its subsidiaries of a grant over the company's options represents additional capital contributions by the company in 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.

### 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. The company 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 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). Interest costs are charged against income 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.

### (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.

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. Certain derivative instruments, while 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.

Details of the group's financial risk management objectives and policies are provided on pages 39 and 40.

### (ii) Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency 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 income statement. Amounts accumulated in equity are recycled 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.

### 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
<b>Cost</b>				
<b>At 1 April 2006</b>	5	13	8	26
Additions	16	–	1	17
Transfers	(2)	–	2	–
<b>At 31 March 2007</b>	19	13	11	43
Additions	1	2	22	25
Transfers	(14)	1	13	–
<b>At 31 March 2008</b>	<b>6</b>	<b>16</b>	<b>46</b>	<b>68</b>
<b>Accumulated depreciation</b>				
<b>At 1 April 2006</b>	–	1	–	1
Depreciation	–	2	3	5
<b>At 31 March 2007</b>	–	3	3	6
Depreciation	–	2	8	10
<b>At 31 March 2008</b>	–	<b>5</b>	<b>11</b>	<b>16</b>
<b>Net book amount</b>				
At 1 April 2006	5	12	8	25
At 31 March 2007	19	10	8	37
<b>At 31 March 2008</b>	<b>6</b>	<b>11</b>	<b>35</b>	<b>52</b>

## 3. Investment in subsidiary undertakings

	Shares US\$m	Loans US\$m	Total US\$m
<b>At 1 April 2006</b>	11,847	–	11,847
Additions	3,268	4,104	7,372
Capital contribution relating to share-based payments	11	–	11
Disposals	(6,412)	–	(6,412)
<b>At 31 March 2007</b>	8,714	4,104	12,818
Exchange adjustments	–	75	75
Additions	4,351	–	4,351
Capital contribution relating to share-based payments	28	–	28
Disposals	(3,488)	(355)	(3,843)
<b>At 31 March 2008</b>	<b>9,605</b>	<b>3,824</b>	<b>13,429</b>

See note 12 to these financial statements for details of additional investment in a subsidiary undertaking after 31 March 2008.

### 3. Investment in subsidiary undertakings continued

The investment in subsidiary undertakings is shown as follows (all interests are 100% unless stated otherwise):

Name	Country of incorporation	Principal activity	2008 US\$m	2007 US\$m
SABMiller Holdings Ltd	England	Group holding company	5,435	5,179
Miller Brands (UK) Ltd	England	Sales and distribution company	32	23
SAB Finance (Cayman Islands) Ltd	Cayman Islands	Finance company	–	–
SAB Holdings AG	Switzerland	Holding company	22	–
SABMiller Management BV	Netherlands	Management services to fellow group companies	–	–
Appletiser International BV	Netherlands	Holding company	–	–
SABMiller Safari	England	Finance company	506	–
Pilsner International BV	Netherlands	Holding company	–	–
SABMiller Holdings Europe Ltd	England	Holding company	1,565	–
SABMiller Africa BV <sup>(1)</sup>	Netherlands	Holding company	897	–
SABMiller Botswana BV <sup>(1)</sup>	Netherlands	Holding company	130	–
SABMiller Asia Ltd	Hong Kong	Holding company	966	–
Racetrack Colombia Finance SA	Colombia	Finance company	–	–
SAB Ltd	England	Holding company	–	217
SAB Management Services Ltd	England	Management services to fellow group companies	–	2
SABMiller (Africa and Asia) Ltd	England	Holding company	–	37
SABMiller (A&A2) Ltd	England	Holding company	–	161
SABMiller Latin America Ltd	England	Holding company	–	3,071
			<b>9,553</b>	<b>8,690</b>
Capital contribution relating to share-based payments			<b>52</b>	<b>24</b>
			<b>9,605</b>	<b>8,714</b>

(1) 62% effective interest in ordinary share capital.

### 4. Debtors – amounts falling due within one year

	2008 US\$m	2007 US\$m
Amounts owed by group undertakings	7,618	1,752
Other debtors	40	25
	<b>7,658</b>	<b>1,777</b>

Included in the table above are debtors due after more than one year of US\$18 million (2007: US\$22 million).

### 5. Short-term deposits

	2008 US\$m	2007 US\$m
Short-term deposits	301	301

The effective interest rate on short-term deposits is 6.22% (2007: 6.25%).

# Notes to the company financial statements

continued

## 6. Creditors – amounts falling due within one year

	2008 US\$m	2007 US\$m
Bank overdrafts	2	–
Unsecured bank loans <sup>(i)</sup>	–	529
Commercial paper <sup>(i)</sup>	176	627
Amounts owed to subsidiary undertakings	875	38
Taxation and social security	5	2
Derivative financial instruments (see note 8)	2	2
Other creditors	17	33
Payroll-related creditor	23	22
Accruals and deferred income	43	33
Dividends payable to shareholders	1	1
	<b>1,144</b>	<b>1,287</b>

(i) Further information relating to the unsecured bank loans and commercial paper is detailed in note 21 to the consolidated financial statements of the group.

## 7. Creditors – amounts falling due after more than one year

	2008 US\$m	2007 US\$m
US\$300 million 6.625% Guaranteed Notes due 2033 <sup>(i)</sup>	327	297
US\$300 million Libor + 0.30% Guaranteed Notes due 2009 <sup>(i)</sup>	304	303
US\$600 million 6.20% Guaranteed Notes due 2011 <sup>(i)</sup>	608	607
US\$850 million 6.50% Guaranteed Notes due 2016 <sup>(i)</sup>	929	884
US\$2,000 million multi-currency revolving credit facility (RCF) <sup>(i)</sup>	2,069	372
Loans from subsidiary undertakings <sup>(ii)</sup>	3,240	–
Derivative financial instruments (see note 8)	304	56
Other creditors	18	17
Deferred income	18	20
	<b>7,817</b>	<b>2,556</b>

The maturity of creditors falling due after more than one year is as follows:

	2008 US\$m	2007 US\$m
Between 1 and 2 years	461	7
Between 2 and 5 years	2,846	1,349
After 5 years	4,510	1,200
	<b>7,817</b>	<b>2,556</b>

(i) Further information relating to the RCF and the Guaranteed Notes is detailed in note 21 to the consolidated financial statements of the group.

(ii) Loans from subsidiary undertakings are unsecured and bear interest at a rate of 12 month US LIBOR plus 5 or 10 basis points, depending upon the country where the company receiving the loan is located.

## 8. Financial instruments

	Assets		Liabilities	
	2008 US\$m	2008 US\$m	2007 US\$m	2007 US\$m
<b>Current derivative financial instruments</b>				
Forward foreign currency contracts	17	–	5	(2)
Forward foreign currency contracts designated as cash flow hedges	1	(2)	–	–
	<b>18</b>	<b>(2)</b>	<b>5</b>	<b>(2)</b>
<b>Non-current derivative financial instruments</b>				
Interest rate swaps designated as fair value hedges	102	–	28	(3)
Interest rate swaps designated as cash flow hedges	1	(6)	–	(2)
Cross currency swaps	82	(298)	6	(51)
	<b>185</b>	<b>(304)</b>	<b>34</b>	<b>(56)</b>



## 8. Financial instruments continued

### Derivatives designated as hedging instruments

#### (i) Cash flow hedges

The company has entered into forward foreign currency contracts and interest rate swaps both designated as cash flow hedges to manage short-term foreign currency exposures and to manage the interest rate on borrowings respectively.

The fixed interest rates paid vary from 5.383% to 5.394% (USD hedges), 4.055% (EUR hedge) and 5.275% (PLN hedge) and the floating rates received are LIBOR, EURIBOR and WIBOR plus zero basis points. As at 31 March 2008, the carrying values of the hedged borrowings were US\$300 million, EUR 130 million and PLN 120 million (2007: US\$300 million, EUR 130 million and PLN 120 million).

#### (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 the interest rate swaps have the same critical terms.

As at 31 March 2008, the fixed interest rates received vary from 5.5% to 6.625% (2007: 5.5% to 6.625%) and floating interest rates paid vary from LIBOR plus 71.6 basis points to LIBOR plus 131.75 basis points (2007: LIBOR plus 71.6 basis points to LIBOR plus 131.75 basis points) on the notional amount. As at 31 March 2008, the carrying value of the hedged borrowings was US\$897 million (2007: US\$824 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 investments in subsidiaries in South Africa.

#### (ii) Cross currency swaps

The company has entered into several cross currency swaps to manage the group's exposure to foreign exchange risk on the investments in subsidiaries in South Africa, Poland, Czech Republic and Italy.

Analysis of notional amounts on all outstanding financial instruments held by the company is as follows:

	2008 m	2007 m
Forward foreign currency contracts		
– SA Rand	2,211	1,751
Interest rate swaps		
– Fair value hedges		
– US Dollar	800	800
– Cash flow hedges		
– US Dollar	300	300
– Polish Zloty	120	120
– Euro	130	130
Cross currency swaps		
– SA Rand	2,799	2,799
– Polish Zloty	798	798
– Czech Krone	7,888	7,888
– Euros	246	–

### Fair values of financial assets and financial liabilities

	2008		2007	
	Book value US\$m	Fair value US\$m	Book value US\$m	Fair value US\$m
Current borrowings	178	178	1,156	1,156
Non-current borrowings	7,477	7,621	2,463	2,548

Derivative financial instruments, 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 values 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 values.

**8. Financial instruments** continued**Fair value gain/(loss) on financial instruments recognised in the profit and loss account**

	2008 US\$m	2007 US\$m
Derivative financial instruments:		
Interest rate swaps	(1)	(1)
Interest rate swaps designated as fair value hedges	80	32
	<b>79</b>	<b>31</b>
Other financial instruments:		
Non-current borrowings designated as fair value hedge	(78)	(31)
	<b>(78)</b>	<b>(31)</b>
<b>Total fair value gain/(loss) on financial instruments recognised in the profit and loss account</b>	<b>1</b>	<b>-</b>

**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	Profit and loss account US\$m	Total US\$m
<b>At 1 April 2006</b>	158	6,099	3,395	-	(37)	1,399	11,014
Issue of shares	-	38	-	-	-	-	38
Profit for the financial year	-	-	-	-	-	786	786
Dividends paid	-	-	-	-	-	(681)	(681)
Purchase of own shares	-	-	-	-	(30)	-	(30)
Utilisation of EBT shares	-	-	-	-	2	(2)	-
Credit entry relating to share-based payments	-	-	-	-	-	7	7
Capital contribution relating to share based payments	-	-	-	-	-	21	21
<b>At 31 March 2007</b>	158	6,137	3,395	-	(65)	1,530	11,155
Issue of shares	-	39	-	-	-	-	39
Profit for the financial year	-	-	-	-	-	2,179	2,179
Dividends paid	-	-	-	-	-	(769)	(769)
Cash flow hedges – fair value loss	-	-	-	(1)	-	-	(1)
Purchase of own shares	-	-	-	-	(33)	-	(33)
Utilisation of EBT shares	-	-	-	-	8	(8)	-
Credit entry relating to share-based payments	-	-	-	-	-	30	30
Change in settlement basis of share incentive plan	-	-	-	-	-	54	54
Capital contribution relating to share based payments	-	-	-	-	-	28	28
<b>At 31 March 2008</b>	<b>158</b>	<b>6,176</b>	<b>3,395</b>	<b>(1)</b>	<b>(90)</b>	<b>3,044</b>	<b>12,682</b>

Foreign exchange differences recognised in the profit for the year, except for those arising on financial instruments measured at fair value under FRS 26, was US\$29 million (2007: US\$6 million). Details of auditors' remuneration are provided in note 3 to the consolidated financial statements of the group.

Further information relating to the share capital, share premium and the EBT reserve of the company is detailed in note 26 to the consolidated financial statements of the group. For details of share option schemes please refer to the equity-settled plans in note 25 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.

## 10. Profit and loss information

### Employees

Employee costs recognised in the profit and loss during the year were as follows:

	2008 US\$m	2007 US\$m
Wages and salaries	58	54
Share-based payments	17	7
Social security costs	12	10
Other pension costs	7	7
	<b>94</b>	<b>78</b>

For further information relating to share-based incentive schemes see note 25 to the consolidated financial statements of the group.

At 31 March 2008, all schemes relate to the company. During the year, the share appreciation rights scheme was modified from cash-settled to equity-settled, therefore at 31 March 2007, this scheme did not relate to the company.

The average monthly number of employees for the year is shown on a full-time equivalent basis and includes executive directors:

	2008 Number	2007 Number
Number of employees	249	209

Details of directors' remuneration for the year is provided in the report on directors' remuneration on pages 49 to 59.

## 11. Other information

Deferred tax assets have not been recognised in respect of the following:

	2008 US\$m	2007 US\$m
Tax losses	10	22
Capital allowances in excess of depreciation	7	1
Share-based payments	5	7
	<b>22</b>	<b>30</b>

	2008 US\$m	2007 US\$m
Capital expenditure contracted but not provided	1	4

For details of guarantees provided by the company see note 29 to the consolidated financial statements of the group.

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows:

	2008 US\$m	2007 US\$m
<b>Land and buildings:</b>		
After five years	5	4
<b>Other:</b>		
Between two and five years	2	2

## 12. Post balance sheet events

On 7 April 2008 the company acquired 100% of SABMiller Africa and Asia BV, a holding company incorporated in the Netherlands for US\$1,827 million from SABMiller Finance BV, a subsidiary of the company. In May 2008, the company entered into an additional US\$1,000 million committed facility, maturing in June 2009 and a new three-year committed facility totalling US\$600 million.

# Five-year financial review

for the years ended 31 March

The information included in the five-year summary for the year ended 31 March 2004 is as published under UK GAAP and has not been restated to IFRS.

	IFRS 2008 US\$m	IFRS 2007 US\$m	IFRS 2006 <sup>(1)</sup> US\$m	IFRS 2005 US\$m	UK GAAP 2005 US\$m	UK GAAP 2004 US\$m
<b>Income statements</b>						
Revenue (including associates' share)	23,828	20,645	17,081	14,543	14,543	12,645
Revenue (excluding associates' share)	21,410	18,620	15,307	12,901	12,901	11,366
Operating profit	3,448	3,027	2,575	2,547	2,104	1,383
Net finance costs	(456)	(428)	(299)	(143)	(143)	(152)
Share of associates post-tax results <sup>(3)</sup>	272	205	177	148	159	115
Taxation	(976)	(921)	(779)	(823)	(776)	(534)
Minority interests	(265)	(234)	(234)	(208)	(203)	(167)
<b>Profit for the year</b>	<b>2,023</b>	<b>1,649</b>	<b>1,440</b>	<b>1,521</b>	<b>1,141</b>	<b>645</b>
<b>Adjusted earnings</b>	<b>2,147</b>	<b>1,796</b>	<b>1,497</b>	<b>1,224</b>	<b>1,251</b>	<b>925</b>
<b>Balance sheets</b>						
Non-current assets	31,686	25,683	24,286	12,869	12,287	11,483
Current assets	4,127	3,053	2,829	2,778	2,941	2,316
<b>Total assets</b>	<b>35,813</b>	<b>28,736</b>	<b>27,115</b>	<b>15,647</b>	<b>15,228</b>	<b>13,799</b>
Derivative financial instruments	(531)	(209)	(178)	–	–	–
Borrowings	(9,658)	(7,231)	(7,602)	(3,340)	(3,339)	(3,707)
Other liabilities and provisions	(7,380)	(6,295)	(5,750)	(3,552)	(3,586)	(3,108)
<b>Total liabilities</b>	<b>(17,569)</b>	<b>(13,735)</b>	<b>(13,530)</b>	<b>(6,892)</b>	<b>(6,925)</b>	<b>(6,815)</b>
<b>Net assets</b>	<b>18,244</b>	<b>15,001</b>	<b>13,585</b>	<b>8,755</b>	<b>8,303</b>	<b>6,984</b>
Total shareholders' equity	17,545	14,406	13,043	8,077	7,665	6,165
Minority interests in equity	699	595	542	678	638	819
<b>Total equity</b>	<b>18,244</b>	<b>15,001</b>	<b>13,585</b>	<b>8,755</b>	<b>8,303</b>	<b>6,984</b>
<b>Cash flow statements</b>						
<b>EBITDA</b>	<b>4,518</b>	<b>4,031</b>	<b>3,348</b>	<b>2,736</b>	<b>2,740</b>	<b>2,185</b>
Net working capital movements	(242)	(13)	(57)	56	52	107
Net cash generated from operations	4,276	4,018	3,291	2,792	2,792	2,292
Net interest paid (net of dividends received)	(410)	(385)	(248)	(79)	(79)	(132)
Tax paid	(969)	(801)	(869)	(625)	(625)	(456)
<b>Net cash inflow from operating activities</b>	<b>2,897</b>	<b>2,832</b>	<b>2,174</b>	<b>2,088</b>	<b>2,088</b>	<b>1,704</b>
Net capital expenditure	(1,927)	(1,351)	(984)	(738)	(738)	(549)
Net investments	5	(2)	(2)	456	456	(211)
Net acquisition of subsidiaries and associates	(1,439)	(429)	(2,644)	(897)	(897)	(515)
<b>Net cash inflow before financing and dividends</b>	<b>(464)</b>	<b>1,050</b>	<b>(1,456)</b>	<b>909</b>	<b>909</b>	<b>429</b>
Management of liquid resources (UK GAAP only)	–	–	–	–	(658)	(16)
Net cash (outflow)/inflow from financing	1,240	(455)	1,733	(271)	(272)	(142)
Dividends paid	(769)	(681)	(520)	(412)	(412)	(309)
Effect of exchange rates	(113)	(18)	11	(56)	–	–
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(106)</b>	<b>(104)</b>	<b>(232)</b>	<b>170</b>	<b>(433)</b>	<b>(38)</b>
<b>Per share information (US cents per share)</b>						
Basic earnings per share	134.9	110.2	105.0	125.5	94.1	54.1
Diluted earnings per share	134.2	109.5	104.3	121.2	91.1	53.0
Adjusted basic earnings per share	143.1	120.0	109.1	101.0	103.2	77.6
Net asset value per share	1,108.3	912.0	828.0	599.9	569.2	484.4
Total number of shares in issue (millions)	1,583.1	1,579.6	1,575.2	1,346.5	1,346.5	1,272.7
<b>Other operating and financial statistics</b>						
Return on equity (%)	12.2	12.5	11.5	15.2	16.3	15.0
EBITA margin (%)	17.4	17.4	17.2	16.4	14.0	12.2
Post exceptional EBITDA margin (%)	21.1	21.6	21.9	21.2	21.2	19.3
PBIT interest cover (times)	8.2	7.6	9.2	14.4	12.2	8.2
Total borrowings to total assets (%)	27.0	25.2	28.0	21.3	21.9	26.9
Cash flow to total borrowings (%)	44.3	55.6	43.3	83.6	83.6	61.8
Group turnover per employee (US\$000s)	309.8	278.1	284.7	315.5	315.5	287.2
Average monthly number of employees	69,116	66,949	53,772	40,892	40,892	39,571

(1) Restated for the adjustments made to the provisional fair values relating to the Bavaria Group transaction.

(2) UK GAAP information for share of associates' results has been presented on the same basis as IFRS for ease of comparability.

	IFRS 2008 US\$m	IFRS 2007 US\$m	IFRS 2006 US\$m	IFRS 2005 US\$m	UK GAAP 2005 US\$m	UK GAAP 2004 US\$m
<b>Revenue (including share of associates revenue)</b>						
<b>Primary segmental analysis</b>						
Latin America	5,251	4,392	2,165	521	521	531
Europe	5,248	4,078	3,258	2,909	2,909	2,420
North America	5,120	4,887	4,912	4,892	4,892	4,778
Africa and Asia	3,367	2,674	2,221	1,937	1,937	1,555
South Africa:						
– Beverages	4,446	4,274	4,204	3,995	3,995	3,135
– Hotels and Gaming	396	340	321	289	289	226
	23,828	20,645	17,081	14,543	14,543	12,645
<b>Operating profit (excluding share of associates)</b>						
<b>Primary segmental analysis</b>						
Latin America	953	810	387	90	48	31
Europe	947	730	567	482	419	327
North America	462	366	454	487	261	189
Africa and Asia	330	272	257	249	242	187
South Africa: Beverages	962	1,043	1,011	906	908	672
South Africa: Hotels and Gaming	–	–	–	–	–	–
Corporate	(94)	(101)	(86)	(82)	(85)	(57)
<b>Group – excluding exceptional items</b>	<b>3,560</b>	<b>3,120</b>	<b>2,590</b>	<b>2,132</b>	<b>1,793</b>	<b>1,349</b>
Latin America	(61)	(64)	(11)	–	–	(6)
Europe	–	(24)	–	(51)	(51)	(6)
North America	(51)	–	–	111	7	(14)
Africa and Asia	–	–	–	103	103	–
South Africa: Beverages	–	–	–	–	–	13
Corporate	–	(5)	(4)	252	252	47
<b>Group – after exceptional items</b>	<b>3,448</b>	<b>3,027</b>	<b>2,575</b>	<b>2,547</b>	<b>2,104</b>	<b>1,383</b>
<b>EBITA</b>						
<b>Primary segmental analysis</b>						
Latin America	1,071	915	436	90	91	76
Europe	952	733	569	482	483	383
North America	477	375	454	487	497	424
Africa and Asia	568	467	422	383	384	306
South Africa:						
– Beverages	1,026	1,102	1,062	956	958	708
– Hotels and Gaming	141	100	84	73	81	53
Corporate	(94)	(101)	(86)	(82)	(85)	(57)
<b>Group</b>	<b>4,141</b>	<b>3,591</b>	<b>2,941</b>	<b>2,389</b>	<b>2,409</b>	<b>1,893</b>

An explanation of some of the terms and abbreviations used in this annual report is shown below.

## Financial definitions

### Adjusted earnings

Adjusted earnings are calculated by adjusting headline earnings for the amortisation of intangible assets (excluding software), integration and reorganisation costs and the fair value movements in relation to capital items for which hedge accounting cannot be applied. The tax and minority interests in respect of these items are also adjusted.

### Adjusted profit before tax (Clean PBT)

This is defined as profit before tax and exceptional items and includes the share of post-tax results of associates (before exceptional items).

### CAGR

The Compound Annual Growth Rate (CAGR) is the average compounded growth rate recorded over a series of years for a particular metric such as volume or revenue.

### 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 comparable period in 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' operating profit on a similar basis.

### EBITA margin (%)

This is calculated by expressing EBITA as a percentage of group revenue (including share of associates' revenue).

### EBITDA

Earnings Before Interest Taxation Depreciation and Amortisation of intangibles excluding software (EBITDA). This comprises the net cash generated from operations before working capital movements.

### EBITDA margin (%)

This is calculated on a pre-exceptional basis, by expressing EBITDA as a percentage of revenue (excluding share of associates' revenue).

### Effective tax rate (%)

This is calculated by expressing total taxation (including share of associates' tax), excluding tax on exceptional items (both group and share of associates') and tax on amortisation of intangible assets (excluding software), as a percentage of profit before tax, exceptional items, items of a capital nature and amortisation of intangible assets (excluding software) and including share of operating profit of associates and including their share of net finance costs (before tax, minority interest and exceptional items).

### Net asset value per share

This is calculated by expressing shareholders' funds as a percentage of the closing number of shares in issue.

### Return on equity (%)

This is calculated by expressing adjusted earnings as a percentage of total shareholders' equity.

### TSR

Total shareholder return (TSR) is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends.

## Volumes

In the determination and disclosure of reported sales volumes, the group aggregates the volumes of all consolidated subsidiaries and its equity-accounted associates, other than associates where primary responsibility for day-to-day management rests with others such as Castel and Distell. In these latter cases, the financial results of operations are equity accounted in terms of IFRS but volumes are excluded. Although contract brewing volumes are excluded from total volumes, turnover from contract brewing is included within group turnover.

## Non-financial definitions

### Combined Code

The Combined Code on Corporate Governance, published by the UK Financial Reporting Council.

### Economy segment

Taking an index where the bulk of the market volume is at a price index of 100, the economy sector would index at around 85. Normally, all brands in this segment will be local brands. In the beer market, the economy segment is usually dominated by local brands.

### FAB

Flavoured alcoholic beverage. A ready-mixed alcoholic drink, often containing some form of fruit flavouring. 'FAB' also stands for fruit alcohol beverage which specifically refers to a ready-mixed alcoholic drink containing fruit flavouring as opposed to non-fruit flavouring such as caramel.

### International brewers index

The index of International brewers charts the share price progression of an index of the company's closest peers in the global brewing industry (Anheuser-Busch, Carlsberg, Heineken, Inbev and MolsonCoors) relative to 1 April 2003. The index is weighted relative to the market capitalisation of the brewers as at 1 April 2003.

### Mainstream segment

Mainstream represents the group of brands that constitute the bulk of the market volume at a price index of 100. Key to this group is the leading volume brand in any market. Mainstream brands tend to be local.

### Organic growth

Refers to a company's growth rate, excluding the effects from, acquisitions or disposals.

### 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 US)

The premium segment is dominated by international brands. They are brands which consumers perceive to offer greater value than mainstream brands and for which they are willing to pay a premium. Mainstream brands are priced at about a price index of 100 and premium brands index at around 120 and above. As a result, the premium segment, although small in volume terms, often generates a disproportionate level of profit, when compared to the mainstream and economy segments.

### 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 at 31 March 2008:

	Number of shareholders	Percentage of share capital
<b>Portfolio size</b>		
1-1,000	26,313	0.57
1,001-10,000	7,309	1.42
10,001-100,000	1,315	2.86
100,001-1,000,000	551	11.48
1,000,001 and over	112	83.67
	35,600	100.00
<b>Category</b>		
Banks	72	0.26
Endowment Funds	343	0.28
Individuals	24,485	1.62
Insurance Companies	80	0.54
Investment Companies	32	1.36
Medical Aid Schemes	25	0.05
Mutual Funds	396	4.07
Nominees and Trusts	8,311	55.57
Pension Funds	512	6.82
Other Corporate Entities	1,344	29.43
	35,600	100.00

## Substantial Shareholdings

As at 14 May 2008, the company 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:

	Number of shares	Percent of issued share capital
Altria Group, Inc.	430,000,000	28.6
BevCo Ltd	225,000,000	15.0
Capital Group International, Inc.	75,945,302	5.0
Public Investment Corporation	55,795,729	3.7
Legal & General Group Plc	45,949,930	3.0

The Takeovers Directive requires disclosure of persons with significant direct or indirect holdings of securities as at year end. In addition to the shareholdings noted above, at year end Allan Gray Investment Council held, approximately, a 4.4% shareholding in the company. Capital Group Companies, Inc. (whose holding incorporates that of Capital Group International, Inc. above) held, approximately, an 8.5% shareholding in the company.

## Financial reporting calendar and annual general meeting

Annual general meeting.	July
Announcement of interim results, for half-year to September.	November
Preliminary announcement of annual results.	May
Annual financial statements published.	June

Dividends	Declared	Paid
Interim	November	Late December
Final	May	August

## STRATE

Dealings and settlements on the JSE Limited (JSE) are now exclusively in electronic form through the STRATE system such that share certificates are no longer good for delivery on that exchange. Shareholders resident in South Africa who currently retain their share certificates and who may wish to deal on the JSE are advised to contact Computershare Johannesburg or their professional adviser regarding the options available to enable them to do so through the STRATE system.

## Unsolicited investment advice – warning to shareholders

The Institute of Chartered Secretaries and Administrators and the Financial Services Authority (FSA) in the United Kingdom have published a joint warning to shareholders:

Over the last year, 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 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 and a 2006 survey by the FSA has reported that the average amount lost by investors is 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.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk)
- 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. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at: [www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.s](http://www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.s)
- Inform our Registrar's Compliance Department by email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Details of any sharedealing facilities that the Company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FSA website [www.fsa.gov.uk/consumer/](http://www.fsa.gov.uk/consumer/)

A new multi-agency operation was launched in January 2007 to target boiler room scams and to gather information from consumers who have been approached by or been a victim of boiler room operators.

Operation Archway, an initiative by the City of London police, combines resources from the FSA, the Serious Fraud Office, the Serious Organised Crime Agency and every police force in the country.

To report any approaches made by suspected boiler rooms to the FSA consumer helpline please e-mail [operationarchway@city-of-london.pnn.police.uk](mailto:operationarchway@city-of-london.pnn.police.uk) or ring 0845 606 1234.

South African shareholders may report such approaches to the Financial Services Board (FSB) on:

Toll Free: 0800 10443  
Facsimile: 012 347 0221  
E-mail: [Info@fsb.co.za](mailto:Info@fsb.co.za)

Complete the FSB online complaint form which can be found on their website [www.fsb.co.za](http://www.fsb.co.za)



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John Davidson

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## Cautionary Statement

**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 includes ‘forward-looking statements’ with respect to certain of SABMiller plc’s plans and its current goals and expectations relating to its future financial condition, performance and results. Although SABMiller plc believes that the expectations reflected in the forward-looking statements are reasonable, SABMiller plc’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in SABMiller plc’s forward-looking statements. 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.



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The composition of the paper is 50% de-inked post-consumer waste, 25% unprinted pre-consumer waste and 25% virgin fibre. All pulps used are Elemental Chlorine Free and the manufacturing mill is accredited with the ISO 14001 standard for environmental management.

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